

# MARXISM

VS

# KEYNESISM

## CONTENTS:

- THE ECONOMIC THEORY OF J.M. KEYNES BY CELESTE STRACK
- THE POLITICAL SIGNIFICANCE OF KEYNESISM BY WILLIAM Z. FOSTER
- MARX AGAINST KEYNES BY JOHN EATON

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IS THE ECONOMIC CYCLE "UNDER CONTROL"? BY MARY NORRIS, POLITICAL  
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## THE ECONOMIC THEORY OF J.M. KEYNES

15-

BY CELESTE STRACK

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THE MONTH OF APRIL, 1946, WITNESSED THE DEATH OF THE MOST INFLUENTIAL, IF NOT THE BEST KNOWN, CONTEMPORARY BOURGEOIS ECONOMIST, LORD JOHN MAYNARD KEYNES. THE "SCHOOL OF THOUGHT" FOR WHICH HIS VIEWS PROVIDED THE INSPIRATION, HOWEVER, CONTINUES TO PLAY AN IMPORTANT ROLE, NOT ONLY IN ACADEMIC CIRCLES, BUT IN A MUCH LARGER ARENA OF POLICY AND POLITICS THROUGHOUT THE CAPITALIST WORLD. KEYNESIAN ECONOMIC THEORY, AS COMRADE FOSTER HAS EMPHASIZED, THEREFORE REQUIRES CRITICAL APPRAISAL FROM A MARXIST STANDPOINT. THIS ARTICLE IS MERELY AN ATTEMPT TO INDICATE THE MAJOR OUTLINES OF THE THEORY KEYNES ADVANCED, AND TO SUGGEST CERTAIN MAIN ASPECTS OF THE EVALUATION WHICH MARXIST POLITICAL ECONOMY CAN AND MUST PROVIDE. IT WILL BE CONFINED PRIMARILY TO THE THEORY AS DEVELOPED BY KEYNES HIMSELF,(1) ALTHOUGH THIS, OF COURSE, EMBRACES THE FUNDAMENTAL OUTLOOK OF HIS DISCIPLES AS WELL.

KEYNESIAN ECONOMIC THEORY REPRESENTS THE REACTION OF A SECTION OF BOURGEOIS ECONOMISTS TO THE GENERAL CRISIS OF CAPITALISM, AND, PARTICULARLY, TO THE IMPOTENCE OF TRADITIONAL LAISSEZ-FAIRE ECONOMICS WHEN CONFRONTED WITH THE CRISIS OF 1929. MORE SPECIFICALLY, IT INVOKES VARIOUS TYPES OF "STATE INTERVENTION" AS INSTRUMENTS TO "IRON OUT" THE "BUSINESS CYCLE" AND TO SOLVE THE PROBLEM OF CHRONIC UNEMPLOYMENT WITHIN THE FRAME-WORK OF CAPITALISM, AND IN ORDER TO PRESERVE THAT SYSTEM.

IN GREAT BRITAIN AND THE UNITED STATES, KEYNESIAN THOUGHT PROVIDED THE IDEOLOGICAL ELABORATION FOR THE KEY POLICIES OF BOURGEOIS REFORMISTS IN DEALING WITH THE CRISIS OF 1929 AND THE ENSUING DEPRESSION, AS WELL AS FOR THEIR MORE LONG-RANGE PROGRAM OF REFORM OF CAPITALISM. THE NEW DEAL, IN BOTH ITS SHORT-RUN AND LONG-RUN ASPECTS, EMBODIED MANY OF THE PRACTICAL IMPLICATIONS OF THIS "NEW THEORY." KEYNES HIMSELF COMMENTED, IN 1934, THAT "MR. ROOSEVELT HAS MADE HIMSELF THE TRUSTEE OF THOSE IN EVERY COUNTRY WHO SEEK TO MEND THE EVILS OF OUR CONDITION BY REASONED EXPERIMENT WITHIN THE FRAMEWORK OF THE EXISTING SOCIAL SYSTEM. IF HE FAILS, RATIONAL CHANGE WILL BE GRAVELY PREJUDICED THROUGHOUT THE WORLD, LEAVING ORTHODOXY AND REVOLUTION TO FIGHT IT OUT." BUT "THE GREAT IMPORTANCE OF THE KEYNES MOVEMENT IN OUR COUNTRY DERIVES FROM THE FACT THAT NOT ONLY HAVE THE LIBERALS COME TO BELIEVE IN ITS MAJOR CONCLUSIONS AS GOSPEL TRUTH, BUT SO ALSO HAS THE GREAT BULK OF THE TRADE UNION MOVEMENT."(2) THIS FACT IS REFLECTED IN THE REMARKS OF PHILIP MURRAY IN A RECENT ARTICLE, IN WHICH HE SAYS:

OUR DEMANDS FOR HIGHER WAGES — A 30 PERCENT INCREASE — ARE SEEN BY SOME PEOPLE AS DRIVING INDUSTRY TOWARD CHAOS. IN REALITY MEETING OUR DEMANDS WILL STABILIZE INDUSTRY. ACCORDING TO THE THEORY THAT STABILITY OF THE AMERICAN ECONOMY DEPENDS UPON MASS PURCHASING POWER, CONTINUED PROSPERITY CAN ONLY BE ACHIEVED BY MAINTAINING ADEQUATE WAGE LEVELS FOR WORKERS.

THIS THEORY WAS NOT INVENTED BY US, BUT BY MEN WHO ARE THE BULWARK OF OUR ECONOMIC SYSTEM. THEY HAVE LONG ADVOCATED THAT GREATER PURCHASING POWER ON THE PART OF THE PEOPLE IS THE ONLY MEANS OF PROMOTING LASTING PROSPERITY. THESE ECONOMISTS, SUCH AS LORD KEYNES AND ALVIN HANSON, ARE NOT WILD-EYED RADICALS.

THEIR VIEWS ARE NOT MERELY ACCEPTED BY BUSINESS; THEY ARE THE FOUNDATION OF BUSINESS...(3)

WHILE MAJOR SECTIONS OF AMERICAN LABOR HOLD THESE VIEWS, CONSCIOUSLY OR UNCONSCIOUSLY, IT MUST ALSO BE NOTED THAT OUR PARTY WAS INFLUENCED BY THEM IN THE FORM OF BROWDERISM, WHICH WAS A VULGARIZED AND, AS COMRADE FOSTER PUT IT, "UTOPIAN" VARIATION ON KEYNESIAN ECONOMICS, "FITTED TO THE NEEDS OF AMERICAN IMPERIALISM." IN RIDDING OUR PARTY OF THIS INFLUENCE, HOWEVER, WE ARE ONLY TAKING THE FIRST STEP IN A BROADER DIRECTION; WE MUST ALSO UNDERTAKE THE WAGING OF AN IDEOLOGICAL STRUGGLE

WITHIN THE LABOR MOVEMENT, AIMED AT EXPOSING THE BASIC FALLACIES OF KEYNESIAN THEORY AND AT WINNING THE WORKING CLASS FOR THE PRINCIPLES OF SCIENTIFIC SOCIALISM. THIS DOES NOT PRECLUDE UNITY ON IMMEDIATE ISSUES FACING LABOR AND THE PEOPLE, WITH SOME OF THOSE STILL INFLUENCED BY KEYNESIAN THOUGHT; BUT AGREEMENTS WITH REGARD TO A PRACTICAL PROGRAM DO NOT NECESSITATE A SURRENDER ON THEORY. INDEED, THE FIGHT FOR CORRECT THEORY WILL ENHANCE THE FIGHTING CAPACITY OF THE WORKING CLASS AND ITS ALIES.

BEFORE WE ENTER INTO A CRITICAL EXAMINATION OF KEYNESIAN THEORY, HOWEVER, A FEW MORE WORDS ON ITS OBJECTIVE ROLE SEEM IN ORDER. IN GREAT BRITAIN, AS IN THE UNITED STATES, THE THEORIES OF KEYNES HAVE BEEN ACCEPTED, NOT ONLY BY BOURGEOIS LIBERALS, BUT ALSO BY IMPORTANT SECTIONS OF THE LABOR MOVEMENT. THE DOMINANT LEADERSHIP OF THE LABOUR PARTY IS NOW ENGAGED IN PUTTING ESSENTIALLY KEYNESIAN PROPOSALS INTO EFFECT. ONE OF THE KEY ECONOMIC ADVISORS TO THIS GROUP IS JOAN ROBINSON, AN ARDENT FOLLOWER OF KEYNESIAN THEORY. THIS ILLUSTRATES THE MODERN POSITION OF SOCIAL DEMOCRACY, WHICH TODAY, FOR THE MOST PART, OPENLY OR TACITLY ESPOUSES THE NEWEST BRAND OF BOURGEOIS ECONOMICS, ABANDONING ALTOGETHER EVEN THAT LIP SERVICE TO MARX WHICH EARLIER REVISIONISTS LIKE BERNSTEIN AND KAUTSKY RENDERED.

KEYNESIAN THEORY HAS BEEN OF SERVICE IN OTHER CIRCLES AS WELL. IN GERMANY, ESPECIALLY, IT WAS UTILIZED BY THE "ECONOMISTS" OF NAZISM. IN FACT, SCHACHT'S ORGAN DER EUTSCHE VOLKSWIRT, DECLARED THAT KEYNES' IDEAS "REPRESENT THE THEORETICAL EXPLANATION AND JUSTIFICATION OF NATIONAL SOCIALIST ECONOMY." WHILE THIS DOES NOT PLACE KEYNES WITHIN THE FASCIST CAMP, IT IS NO ACCIDENT THAT HIS THEORIES SERVED Equally well THE PURPOSES OF BOTH BOURGEOIS REFORMISTS AND NAZIS. INDEED, AN EXAMINATION OF KEYNES' WRITINGS DURING THE TWENTIES REVEALS THAT THEY INCLUDED BOTH A SHARP ANTI-SOVIET, ANTI-COMMUNIST BIAS, AND A DEFINITE TENDENCY TOWARD THE "CORPORATE" APPROACH,(5). HIS RESUME TO THE BRITISH TORIES IN 1929, ON THE EVE OF THE CRASH (WHICH HE FORESAW NO MORE THAN OTHER CAPITALIST ECONOMISTS) WAS "THAT THE CAPITALIST LEADERS IN THE CITY AND THE PARTY ARE INCAPABLE OF DISTINGUISHING NOVEL MEASURES FOR SAFEGUARDING CAPITALISM FROM WHAT THEY CALL BOLSHEVISM." THE NAZIS WERE SOMEWHAT SPEEDIER IN UTILIZING SUCH "NOVEL MEASURES."

THAT KEYNESIAN THEORY COULD BE SO WELL ADAPTED TO NAZI ENDS SHOULD EMPHASIZE ITS ESSENTIAL CHARACTER AS A PROP FOR CAPITALISM. AND YET KEYNES HAS BEEN CALLED A "REVOLUTIONARY" IN THE FIELD OF ECONOMIC THEORY. WHAT GAVE RISE TO THIS CHARACTERIZATION?

#### A "REVOLUTION" IN ECONOMIC THEORY

BY 1929, AND INDEED LONG BEFORE THEN, THE "VULGAR ECONOMISTS" OF THE MARGINAL UTILITY-MARGINAL PRODUCTIVITY (OR "SUPPLY AND DEMAND") SCHOOL, WHO HAD DOMINATED CAPITALIST ECONOMICS SINCE THE MIDDLE 1800'S, WERE COMPLETELY BANKRUPT. THE CRISIS OF 1929 ONLY CALLED ATTENTION TO THEIR NAKEDNESS. KEYNES UNDERTOOK TO CLOTHE BOURGEOIS ECONOMICS ONCE MORE WITH A SET OF THEORIES BEARING AT LEAST SOME APPARENT RELATION TO ECONOMIC REALITIES.

IN CONTRAST WITH SUCH EARLIER CLASSICAL ECONOMISTS AS ADAM SMITH AND DAVID RICARDO, WHO, IN THE PERIOD OF DEVELOPING CAPITALISM, ATTEMPTED TO DISCOVER THE REAL LAWS GOVERNING CAPITALIST PRODUCTION AND ACCUMULATION, LATER BOURGEOIS ECONOMISTS HAD BECOME MERE APOLOGISTS FOR THE CAPITALIST SYSTEM, CONCERNED ALMOST WHOLLY WITH EXCHANGE AND "PRICING". THE "DANGEROUS" IMPLICATIONS OF THE LABOR THEORY OF VALUE OF SMITH AND RICARD HAVING BECOME EVIDENT, BOURGEOIS ECONOMISTS RETREATED ALTOGETHER FROM ANY OBJECTIVE THEORY OF VALUE, WHICH WOULD REVEAL THE TRUE NATURE OF CAPITALIST PRODUCTION, TO A WHOLLY SUBJECTIVE THEORY OF VALUE BASED ON "UTILITY" AND AIMED AT UPHOLDING THE RIGHT OF CAPITALISTS TO THE "REWARD" JUSTLY DUE THEM FOR "WAITING," "RISKING," "MANAGING," OR SOME OTHER VARIATION ON THIS THEME. THEY CONCERNED THEMSELVES ALMOST WHOLLY WITH THE STERILE TASK OF DETERMINING SPECIFIC MARKET PRICES THRU THE LAWS OF SUPPLY AND DEMAND. THE ENTIRE BODY OF BOURGEOIS THEORY EITHER IGNORED

THE QUESTION OF CYCLICAL CRISES ALTOGETHER, EVEN GOING SO FAR AS TO DENY THE POSSIBILITY OF GENERAL OVERPRODUCTION, OR DEALT WITH IT AS RESULTING FROM FORCES WHICH WERE CONSIDERED "OUTSIDE" THE ECONOMIC SYSTEM ITSELF, RANGING FROM SUNSPOTS TO "INTERFERENCE" BY TRADE UNIONS OR THE STATE. ALSO IGNORED WAS THE LONG TERM TREND TO CHRONIC UNEMPLOYMENT AND THE ACCUMULATION OF SURPLUS CAPITAL. THE BASIC ASSUMPTION WAS THAT THE NATURAL INTERPLAY OF ECONOMIC FORCES WOULD RESULT IN "GENERAL EQUILIBRIUM" IN WHICH ALL "FACTORS OF PRODUCTION," INCLUDING BOTH THE LABOR FORCE AND CAPITAL, WOULD BE AUTOMATICALLY AND FULLY UTILIZED. THUS, BOURGEOIS ECONOMISTS LACKED EVEN THE MOST PRIMITIVE TOOLS FOR TACKLING THE PROBLEMS OF THE GENERAL CRISIS OF CAPITALISM DATING FROM WORLD WAR I, OR THE CYCLICAL CRISIS OF 1929 AND THE ENSUING DEPRESSION.

KEYNES ATTEMPTED TO CHANGE THIS SITUATION, AND IN DOING SO BROKE WITH CURRENT BOURGEOIS ECONOMICS IN SEVERAL SIGNIFICANT, ALTHOUGH ESSENTIALLY SUPERFICIAL, RESPECTS. HE DIRECTED ATTENTION ONCE MORE TO QUESTIONS OF PRODUCTION, CAPITAL, ACCUMULATION, AND NATIONAL INCOME, AS COMPARED TO EXCHANGE AND PRICING. HIS ANALYSIS, HOWEVER, WAS ALSO BASED, AS WE SHALL SEE, UPON A SERIES OF SUBJECTIVE "LAWS"; FOR HE TOO RECOGNIZED THE "DANGER" OF ADOPTING THE OBJECTIVE LABOR THEORY OF VALUE WHICH INEVITABLY LEADS TO A RECOGNITION OF CAPITALIST EXPLOITATION AND ITS CONSEQUENCES. HE "ATTACKED" THE "RENTIER CLASS," OPPOSING INTEREST AS AN UNEARNED INCOME, BUT ONLY BECAUSE HE FELT IT HAMPERED THE SUCCESSFUL WORKING OF A SYSTEM BASED ESSENTIALLY UP-ON ENTREPRENEURIAL PROFITS ACCRUING FROM ACTIVE INVESTMENT, WHICH HE WISHED TO ENLARGE. THIS AMOUNTED SIMPLY TO A "CONTROVERSY" OVER THE DISTRIBUTION OF SURPLUS VALUE AMONG THE VARIOUS GROUPINGS OF THE CAPITALIST CLASS. HE RECOGNIZED THE PROBLEM OF CHRONIC UNEMPLOYMENT, THE EXISTENCE OF SURPLUS CAPITAL, THE TENDENCY TO "OVER-INVEST" IN CERTAIN CAPITAL GOODS, AND THE DEVELOPMENT OF CYCLICAL CRISES AS PART OF THE "NATURAL" OR UNHAMPERED" OPERATION OF THE CAPITALIST SYSTEM; BUT HE PROPOSED WITHIN THE FRAME-WORK OF A SYSTEM WHICH INEVITABLY AND CONTINUALLY REPRODUCES THEM ON A LARGER SCALE AND IN AN INCREASINGLY AGGRAVATED FORM. HE BROKE WITH THE CONCEPT OF LAISSEZ-FAIRE, ADVOCATING STATE INTERFERENCE IN THE ECONOMY, BUT ONLY TO ACHIEVE THE SAME OBJECTIVE WHICH MOTIVATED PREVIOUS BOURGEOIS ECONOMISTS - THE MAINTENANCE OF THE CAPITALIST SYSTEM. FINALLY-- AND THIS WAS A MATTER WITH WHICH MUCH OF HIS PRACTICAL ACTIVITY WAS CONCERNED-- HE VIEWED MONEY AS AN INSTRUMENT FOR MANIPULATION IN ACHIEVING DESIRED ECONOMIC ENDS, RATHER THAN AS THE "NEUTRAL" FACTOR WHICH ORTHODOX ECONOMISTS HELD IT TO BE. THIS LAST REVOLUTIONARY DEPARTURE ACTUALLY ADDS UP TO ADVOCACY OF - INFLATION!

THAT THE KEYNESIAN "REVOLUTION IN ECONOMICS" ACTUALLY AIMED AT MAINTAINING CAPITALISM IS, OF COURSE, NO DISCOVERY. BUT ITS APPARENT DEPARTURE FROM "TRADITIONAL" ECONOMICS SERVED TO STEER INTO SAFER WATERS MANY WHO, DISSATISFIED WITH ORTHODOX STERILITY, MIGHT OTHERWISE HAVE TURNED TO MARXISM. CAN KEYNESIAN THEORY, HOWEVER, ACTUALLY SOLVE, EITHER THEORETICALLY OR PRACTICALLY, THE PROBLEMS IT SETS FOR ITSELF?

THE ANSWER TO THIS QUESTION WILL BE FOUND IN A MORE DETAILED EXAMINATION OF THE MAIN FEATURES OF KEYNESIAN THEORY, WHICH WE SHALL FIRST SUMMARIZE AND THEN DISCUSS.

#### KEYNESIAN THEORY SUMMARIZED

KEYNES BASES HIS ANALYSIS OF CAPITALIST PRODUCTION UPON THREE MAIN FACTORS (OR VARIABLES, WHICH TOGETHER DETERMINE THE LEVEL OF PRODUCTION AND EMPLOYMENT AT ANY PARTICULAR TIME. THESE THREE FACTORS ARE "THE PROPENSITY TO CONSUME," "THE MARGINAL EFFICIENCY OF CAPITAL," AND "THE LIQUIDITY PREFERENCE." THEIR OPERATION MAY BE ROUGHLY OUTLINED AS FOLLOWS:

IN ANY GIVEN PERIOD ACCORDING TO KEYNES, THE LEVEL OF EMPLOYMENT WILL BE DETERMINED BY THE LEVEL OF PRODUCTION OF CONSUMER GOODS AND CAPITAL GOODS. THIS IN TURN WILL BE DETERMINED BY THE "EFFECTIVE DEMAND," WHICH IS THE TERM USED BY KEYNES FOR THE VOLUME OF CONSUMPTION (PURCHASE OF CONSUMER GOODS) AND INVESTMENT (PURCHASE

OF REAL CAPITAL GOODS). THUS, IF A PART OF THE NATIONAL INCOME IS NOT SPENT FOR EITHER CONSUMER GOODS OR CAPITAL GOODS, "OVER-SAVING" WILL OCCUR, RESULTING IN A LEVEL OF EMPLOYMENT BELOW "FULL EMPLOYMENT." KEYNES HELD THAT THERE IS NOTHING INHERENT IN THE "NATURAL" WORKING OF CAPITALIST ECONOMY WHICH WILL INSURE THAT SUCH WILL NOT BE THE CASE. IN FACT, THE LONG-RUN TENDENCY OF CAPITALISM IS IN THIS DIRECTION FOR REASONS GIVEN BELOW; WHILE THE SAME CAUSE (I.E., OVER-SAVING OR FAILURE TO PURCHASE CONSUMER OR CAPITAL GOODS) ALSO PRECIPITATES CYCLICAL CRISES. BUT WHAT DETERMINES "EFFECTIVE DEMAND?"

ACCORDING TO KEYNES, "EFFECTIVE DEMAND" IS DETERMINED BY:

1. THE PROPENSITY TO CONSUME: "THE TERM 'PROPENSITY TO CONSUME' OF A PERSON OR A CLASS OF PERSONS IS USED TO INDICATE THE PROPORTION OF HIS OR HER TOTAL INCOME WHICH THAT PERSON OR CLASS MAY BE EXPECTED TO SPEND ON CONSUMPTION. WHAT PEOPLE DO NOT SPEND ON CONSUMPTION, THEY 'SAVE' AND THE SAVINGS BECOME AVAILABLE FOR 'INVESTMENT' BY THEMSELVES OR BY OTHERS, I.E., FOR SPENDING ON THE MEANS OR MATERIALS OF PRODUCTION. AS A BROAD GENERALIZATION, THE SMALLER THE INCOME, WHETHER OF AN INDIVIDUAL OR A COMMUNITY, THE LARGER IS THE PROPENSITY TO CONSUME; PEOPLE INDIVIDUALLY AND COLLECTIVELY SPEND ON CONSUMPTION A LARGER PORTION OF A SMALL INCOME THAN THEY DO OF A LARGER INCOME. THEREFORE, OUT OF A GIVEN TOTAL INCOME OF A COMMUNITY, MORE IS LIKELY TO BE SPENT ON CONSUMPTION AND LESS IS LIKELY TO BE SAVED IF THE INCOME IS EVENLY DIVIDED BETWEEN THE INDIVIDUAL MEMBERS THAN IF IT IS UNEVENLY DIVIDED." (6) (THIS DEFINITION BY W.H. BEVERIDGE, A WELL-KNOWN BRITISH FOLLOWER OF KEYNES, IS GIVEN BECAUSE IT IS MUCH LESS TECHNICAL THAN KEYNES' OWN DEFINITION BUT ADDS UP TO THE SAME THING.)

THE ABOVE AMOUNTS TO AN ELABORATE WAY OF SAYING WHAT EVERY WORKER KNOWS; THAT WORKERS CAN RARELY SAVE AND ARE FREQUENTLY IN DEBT, WHILE THE RICH ARE HARD PUT TO IT TO SPEND THEIR ENTIRE INCOME. THUS, WHEN A RISE IN NATIONAL INCOME OCCURS, AS IT DOES DURING "BOOM PERIODS" FOR EXAMPLE, THE SMALL PERCENTAGE OF THE POPULATION WHICH "SAVES," SAVES AN EVEN HIGHER PROPORTION OF ITS INCOME, AND SPENDS A SMALLER PROPORTION ON CONSUMER GOODS. UNLESS THIS MONEY WHICH IS "SAVED" IS USED TO PURCHASE CAPITAL GOODS, "OVER-SAVING" AND A REDUCTION IN EMPLOYMENT WILL OCCUR. BUT THE PURCHASE OF CAPITAL GOODS, I.E., INVESTMENT, WILL BE DETERMINED, NOT BY THE SUPPLY OF AVAILABLE SAVINGS, BUT BY THE SECOND FACTOR IN THE KEYNESIAN SYSTEM, THE "MARGINAL EFFICIENCY OF CAPITAL."

2. THE MARGINAL EFFICIENCY OF CAPITAL. THIS IS EXPLAINED BY KEYNES AS FOLLOWS

WHEN A MAN BUYS AN INVESTMENT OR CAPITAL-ASSET, HE PURCHASES THE RIGHT TO THE SERIES OF PROSPECTIVE RETURNS, WHICH HE EXPECTS TO OBTAIN FROM SELLING ITS OUTPUT, AFTER DEDUCTING THE RUNNING EXPENSES OF OBTAINING THAT OUTPUT, DURING THE LIFE OF THE ASSET. THIS SERIES OF ANNUITIES...IT IS CONVENIENT TO CALL THE PROSPECTIVE YIELD OF THE INVESTMENT.

OVER AGAINST THE PROSPECTIVE YIELD OF THE INVESTMENT WE HAVE THE SUPPLY PRICE OF THE CAPITAL-ASSET, MEANING BY THIS, NOT THE MARKET-PRICE AT WHICH AN ASSET OF THE TYPE IN QUESTION CAN ACTUALLY BE PURCHASED IN THE MARKET, BUT THE PRICE WHICH WOULD JUST INDUCE A MANUFACTURER NEWLY TO PRODUCE AN ADDITIONAL UNIT OF SUCH ASSETS, I.E., WHAT IS SOMETIMES CALLED ITS REPLACEMENT COST. THE RELATION BETWEEN THE PROSPECTIVE YIELD OF A CAPITAL-ASSET AND ITS SUPPLY PRICE OR REPLACEMENT COST, I.E., THE RELATION BETWEEN THE PROSPECTIVE YIELD OF ONE MORE UNIT OF THAT TYPE OF CAPITAL AND THE COST OF PRODUCING THAT UNIT, FURNISHES US WITH THE MARGINAL EFFICIENCY OF CAPITAL OF THAT TYPE. (7)

THE MARGINAL EFFICIENCY OF CAPITAL DOES NOT REFER, THEREFORE, TO THE ACTUAL RATE OF PROFIT PREVAILING ON EXISTING INVESTMENT, ALTHOUGH IT MAY BE INFLUENCED BY IT, NOR TO THE ACTUAL MARKET PRICE. IT IS A PSYCHOLOGICAL CONCEPT BASED ON A RELATIONSHIP BETWEEN TWO PSYCHOLOGICAL FACTORS. IT ESSENTIALLY REFLECTS THE "STATE OF MIND" OR "STATE OF CONFIDENCE" OF THE CAPITALISTS AND THEIR "EXPECTATIONS," WHICH

WILL BE SUBJECT TO MANY CONSIDERATIONS, BOTH ECONOMIC AND POLITICAL.

IF THE CAPITALISTS' "ANTICIPATIONS" ARE UNFAVORABLE, INVESTMENT WILL BE LIMITED OR WILL CEASE AND UNEMPLOYMENT WILL RESULT. KEYNES NOTES THAT THERE IS A DEFINITE, "LONG-RANGE TENDENCY" FOR THE "MARGINAL EFFICIENCY OF CAPITAL" TO DECLINE, WHICH TOGETHER WITH THE FALLING "PROPENSITY TO CONSUME," TENDS TO RESULT IN CHRONIC UNEMPLOYMENT. HE ALSO ATTRIBUTES THE CRISIS STAGE OF THE "TRADE CYCLE" TO THE "COLLAPSE" OF THE MARGINAL EFFICIENCY OF CAPITAL. IT SHOULD BE EMPHASIZED, THEREFORE, THAT THIS FACTOR OCCUPIES A PIVOTAL POSITION IN KEYNES' WHOLE ANALYSIS. THE OPERATION OF THE TWO FACTORS SO FAR MENTIONED, HOWEVER, IS COMBINED WITH THE INFLUENCE OF A THIRD FACTOR, THE "LIQUIDITY PREFERENCE."

3. THE LIQUIDITY PREFERENCE MEANS THE RELATIVE DESIRE TO HOLD MONEY AS AGAINST READINESS TO SPEND IT FOR EITHER CONSUMER GOODS OR CAPITAL GOODS. WHEN BUSINESS IS GOOD, THE "LIQUIDITY PREFERENCE" TENDS TO BE LOW; WHEN CONDITIONS ARE BAD, IT TENDS TO BE HIGH. THIS FACTOR HAS A DEFINITE EFFECT UPON THE INTEREST RATE, WHICH KEYNES IS ANXIOUS TO REDUCE IN ORDER TO INCREASE THE PROFITS OF THE ENTREPRENEUR (WHO PRESUMABLY PAYS INTEREST ON BORROWED CAPITAL OUT OF HIS OWN PROFITS). WHEN PEOPLE WANT TO "HOLD ON TO CASH," THE INTEREST RATE IS FORCED UP, SINCE THEY DEMAND MORE FOR LENDING THEIR MONEY. IN ORDER, THEREFORE, TO DECREASE BOTH, THE INTEREST RATE AND THE DESIRE TO HOLD MONEY DURING PERIODS OF BUSINESS DECLINE, KEYNES ADVOCATES A POLICY OF "MILD" INFLATION. HE ALSO ADVOCATES REDUCTION OF THE INTEREST RATE IN "BOOM PERIODS," THE IMPLICATIONS OF WHICH WE SHALL DISCUSS LATER.

TO SUM UP THE KEYNESIAN CONCLUSIONS FROM THE FOREGOING, WE ARE TOLD THAT THE DECLINING "PROPENSITY TO CONSUME" WHICH CHARACTERIZES CAPITALISM, TOGETHER WITH THE LONG-RUN DROP IN THE "MARGINAL EFFICIENCY OF CAPITAL," AND A "CONVENTIONAL" RATE OF INTEREST WHICH TENDS TO REMAIN AT TOO HIGH A LEVEL, RESULT IN "OVERSAVING" AND CHRONIC UNEMPLOYMENT. KEYNES PROPOSES TO DEAL WITH THIS LONG-RUN TENDENCY TOWARD "STAGNATION" OF THE ECONOMY THROUGH TWO SETS OF MEASURES, WHICH ARE ELABORATED OR EMPHASIZED IN VARYING WAYS BY HIS FOLLOWERS; (1) INCREASING THE "PROPENSITY TO CONSUME" BY STEPS AIMED AT SOME REDISTRIBUTION OF NATIONAL INCOME, MAINLY THROUGH A SYSTEM OF INHERITANCE AND PERSONAL INCOME TAXES, THROUGH VERY LOW INTERESTS RATES WHICH WILL REDUCE THE INCOME OF THE "RENTIER" CLASS AND "PERHAPS OTHER MEANS" (WHILE MANY FOLLOWERS OF KEYNES ADVOCATE SUBSTANTIAL WAGE INCREASES UNDER THIS HEADING, KEYNES HIMSELF HELD A VERY DIFFERENT VIEW, CALLING AT MOST FOR "SLIGHTLY RISING" WAGES IN THE VERY LONG RUN, BUT EMPHASIZING PRIMARILY THE NEED TO CUT REAL WAGES AS A MEANS OF COMBATING DEPRESSION.) (2) INCREASING INVESTMENT THROUGH WHAT KEYNES CALLS "SOCIALIZATION OF INVESTMENT" OR A "SOCIALLY CONTROLLED RATE OF INVESTMENT." THIS INCLUDES MANIPULATION OF THE INTEREST RATE, POSSIBLY NATIONALIZATION OF CERTAIN INDUSTRIES, AND OTHER GOVERNMENT MEASURES AIMED AT CONTROLLING AND DIRECTING INVESTMENT.

WITH REFERENCE TO THE "TRADE CYCLE," KEYNES STATES THAT PERIODIC CRISES ARE CAUSED PRIMARILY BY "A SUDDEN COLLAPSE IN THE MARGINAL EFFICIENCY OF CAPITAL," THIS IS DUE TO THE "GROWING ABUNDANCE" OF CAPITAL GOODS, THEIR "RISING COSTS OF PRODUCTION," AND "PROBABLY, A RISE IN THE INTEREST RATE," ALL OF WHICH BRING "DISILLUSION" UPON "AN OVER-OPTIMISTIC AND OVER-BOUGHT MARKET." THE "ERROR OF OPTIMISM" WHICH WAS PREVALENT DURING THE "BOOM" IS REPLACED BY AN "ERROR OF PESSIMISM." INVESTMENT CEASES, THE "PROPENSITY TO CONSUME" FALLS SHARPLY, THE INTEREST RATE RISES, AND BUSINESS REMAINS IN A SLUMP UNTIL CERTAIN CAPITAL GOODS WEAR OUT, STOCKS ARE USED UP, AND COSTS (INCLUDING REAL WAGES!) ARE REDUCED TO THE POINT WHERE INVESTMENTS SLOWLY RE-COMMENCES. KEYNES CONCLUDES THAT THE "RIGHT REMEDY FOR THE TRADE CYCLE IS NOT TO BE FOUND IN ABOLISHING BOOMS AND KEEPING US PERMANENTLY IN A SEMI-SLUMP; BUT IN ABOLISHING SLUMPS AND THUS KEEPING US PERMANENTLY IN A QUASI-BOOM" THIS IS TO BE ACHIEVED THROUGH LOWERING THE INTEREST RATE DURING THE BOOM, AND OTHERWISE STIMULATING INVESTMENT SO THAT THE BOOM "MAY LAST." THE CENTRAL REMEDY, ACCORDING TO KEYNES, LIES IN MEASURES WHICH WILL PRESERVE THE "MARGINAL EFFICIENCY OF CAPITAL," I.E., PROFIT EXPECTATIONS."

"PSYCHOLOGICAL LAWS"

WE NOW HAVE THE MAIN KEYNESIAN PROPOSITIONS BEFORE US, AND CAN TURN TO AN APPRAISAL OF HIS THEORY AND ITS CONSEQUENCES.

1. THE THREE KEY FACTORS OR "VARIABLES" ON WHICH KEYNES ERECTS HIS THEORETICAL STRUCTURE ARE WHOLLY INADEQUATE AS THE FOUNDATION FOR AN ANALYSIS OF CAPITALIST PRODUCTION, WHICH KEYNES PURPORTS TO PROVIDE. INDEED, THEY DISGUISE THE TRUE NATURE OF CAPITALIST PRODUCTION AND ACCUMULATION INSTEAD OF REVEALING IT. ALL THREE ARE HIGHLY SUBJECTIVE "PSYCHOLOGICAL LAWS" WHICH ARE ADVANCED IN PLACE OF OBJECTIVE MATERIAL FACTORS. IT IS TRUE THAT PEOPLE'S "REACTIONS" MUST, TO A CERTAIN EXTENT, BE TAKEN INTO ACCOUNT IN POLITICAL ECONOMY; BUT THE IMPORTANT QUESTION IS "WHAT CAUSES THESE REACTIONS?" WHAT ARE THE MATERIAL FORCES AT WORK WHICH ULTIMATELY DETERMINE THE TREND OF CAPITALIST DEVELOPMENT?

IF WE LOOK BEHIND THE "MARGINAL PROPENSITY TO CONSUME," WHAT DO WE FIND? "UNEQUAL DISTRIBUTION OF INCOME," ACCORDING TO KEYNES. BUT BEHIND THIS? NOT AN ETERNAL VERITY, BUT THE ACTUAL HISTORICAL RELATIONS OF PRODUCTION THAT CHARACTERIZE CAPITALISM, I.E., THE EXPLOITATION OF "FREE" WAGE WORKERS BY THE CAPITALIST CLASS, THROUGH THE EXTRACTION OF UNPAID LABOR-TIME, OR SURPLUS VALUE, AND THE ABSOLUTE GENERAL LAW OF CAPITALIST ACCUMULATION. THE PROBLEM OF "UNEQUAL DISTRIBUTION OF INCOME" ARISES NOT IN THE FIELD OF DISTRIBUTION, BUT FROM THE NATURE OF CAPITALIST PRODUCTION ITSELF

AND WHAT IS THE "MARGINAL EFFICIENCY OF CAPITAL?" ESSENTIALLY, THE "EXPECTATIONS OF THE CAPITALIST." BUT ON WHAT ARE THESE BASED? KEYNES HIMSELF ADMITS THAT THEY MAY BE AFFECTED BY THE "ABUNDANCE OF CAPITAL GOODS" AND "COSTS OF PRODUCTION." NEVERTHELESS, PSYCHOLOGICAL FACTORS OF "PESSIMISM" AND "OPTIMISM" ARE DECISIVE FOR KEYNES. AGAIN WE HAVE A CONFUSED AND SUBJECTIVE "EXPLANATION" WHICH CONCEALS THE REAL DETERMINING FACTOR FROM THE STANDPOINT OF THE CAPITALIST CLASS, THAT IS, THE ACTUAL RATE OF PROFIT. THIS IS ESTABLISHED NOT BY "PSYCHOLOGY;" BUT BY THE RATIO BETWEEN THE SURPLUS VALUE (S) EXTRACTED FROM THE WORKERS BY THE CAPITALIST CLASS TO THE TOTAL CAPITAL INVESTED, INCLUDING BOTH CONSTANT CAPITAL (C) REPRESENTED BY MACHINERY, RAW MATERIALS, ETC., AND VARIABLE CAPITAL (V), REPRESENTED BY WAGES. THIS RATIO MARX EXPRESSED AS

$$\frac{S}{V + C}$$

SINCE SURPLUS VALUE (S) IS EXTRACTED ONLY FROM LIVING LABOR, WHICH IS SUPPLIED BY THE LABOR POWER PURCHASED BY WAGES(V), EVEN THE RATE OF PROFIT DOES NOT REVEAL THE ACTUAL EXPLOITATION OF THE WORKER, WHICH IS SHOWN BY THE RATION OF SURPLUS VALUE TO WAGES(S/V.). THIS ENTIRE RELATIONSHIP IS, OF COURSE, ENTIRELY HIDDEN BY KEYNES. FURTHERMORE, MARX CLEARLY EXPLAINED HOW THE GROWING PROPORTION OF CAPITAL INVESTED IN THE MEANS OF PRODUCTION AS COMPARED WITH THAT PART INVESTED IN LABOR POWER RESULTS IN THE TENDENCY OF THE RATE OF PROFIT TO DECLINE. HE ALSO SHOWED HOW THE INABILITY OF THE CAPITALISTS TO REALIZE IN THE MARKET THE SURPLUS VALUE WHICH HAS BEEN PRODUCED FOLLOWS INEVITABLY FROM THE MAJOR UNDERLYING CAUSE OF CYCLICAL CRISES, THE CONTRADICTION BETWEEN THE SOCIAL CHARACTER OF PRODUCTION AND THE INDIVIDUAL FORM OF APPROPRIATION. HERE, THEN IS THE OBJECTIVE REALITY BEHIND KEYNES' LONG-RANGE DECLINE AND CYCLICAL "COLLAPSE" OF THE "MARGINAL EFFICIENCY OF CAPITAL," WHICH IS ONLY THE MUDDLED SUBJECTIVE REFLECTION OF THE ACTUAL PROCESS OF CAPITALIST PRODUCTION AND ACCUMULATION.

THE "LIQUIDITY PREFERENCE" IS AGAIN A SUBJECTIVE APPROACH, THIS TIME TO THE RATE OF INTEREST, WHICH, AS WE HAVE SEEN, KEYNES WANTS TO REDUCE. HERE WE MAY NOTE THAT THE DIVISION MADE BY KEYNES BETWEEN THE ACTIVE INVESTOR WHO RECEIVES PROFIT AND THE "LENDER" WHO RECEIVES INTEREST IS LARGEMLY ARTIFICIAL, SINCE THE MAJOR SOURCE OF FUNDS WHICH ARE "SAVED" AND "LENT" IS PRECISELY THE SAME CENTERS OF MONOPOLY CAPITAL WHICH CONTROL ACTIVE INVESTMENT, I.E., THE BANKS AND THE LARGE CORPORATIONS. CONSEQUENTLY, KEYNES' "CRUSADE" AGAINST THE "RENTIER CLASS" AND HIS EFFORTS TO EXTINGUISH THE INTEREST RATE SIMPLY AMOUNT TO AN EFFORT TO TRANSFER SURPLUS VALUE TO THE OTHER

## THE POLITICAL SIGNIFICANCE OF KEYNESISM

BY WILLIAM Z. FOSTER

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KEYNESISM IS ESSENTIALLY A PRODUCT OF THE GENERAL CRISIS OF CAPITALISM; MORE SPECIFICALLY, OF THE WORLD-WIDE CAPITALIST CRISIS OF THE 1930'S. KEYNES WORKED IN THE GENERAL TRADITION OF MALTHUS, SISMONDI, AND OTHER BOURGEOIS ECONOMISTS, EXPONENTS OF THE UNDER-CONSUMPTION THEORY, WHO SAW THE ORIGIN OF THE CYCLICAL CRISIS PRIMARILY IN THE SPHERE OF DISTRIBUTION.

THE GREAT CRISIS OF 1929-33 NOT ONLY UNDERMINED THE ECONOMIC STRUCTURE OF CAPITALISM, BUT EXPOSED THE BANKRUPTCY OF CAPITALIST POLITICAL ECONOMY. THEREFORE, TWO THINGS BECAME URGENTLY NECESSARY FOR CAPITALIST DEFENDERS AND APOLOGISTS, NAMELY, TO ADOPT EMERGENCY ECONOMIC MEASURES TO SHORE UP THE TOTTERING CAPITALIST SYSTEM AND TO MAKE A RE-FORMULATION OF THE GENERAL HOCUS-POCUS THAT PASSES FOR CAPITALIST ECONOMIC THEORY. EFFORTS WERE MADE FROM MANY QUARTERS BY PRACTICAL POLITICIANS AND ECONOMISTS TO SATISFY THESE BURNING NEEDS OF STRICKEN WORLD CAPITALISM; BUT THE MAN WHO ACHIEVED THE BIGGEST REPUTATION IN THIS TURILE TASK WAS THE WELL KNOWN BRITISH ECONOMIST, SIR JOHN MAYNARD KEYNES. AS FIRST-AID DOCTOR TO SICK CAPITALISM, KEYNES FINALLY BECAME THE LEADING ECONOMIST OF THE BOURGEOIS WORLD.

KEYNES, WHO DIED IN APRIL, 1946, AT THE AGE OF 62, WAS A SKILLED FINANCIAL LEADER AS WELL AS AN EXCEPTIONALLY BRILLIANT ECONOMIC THEORETICIAN. BESIDES WRITING MANY BOOKS AND ARTICLES ON ECONOMICS, HE WAS A DIRECTOR OF THE BANK OF ENGLAND, ADVISOR TO THE STATE TREASURY, AND THE LEADER OF THE BRITISH DELEGATION AT THE BRETON WOODS CONFERENCE; HE OUTLINED THE PLANS FOR BRITAIN'S WARTIME FINANCING, AND HE WAS THE PRINCIPAL ARCHITECT OF THE \$4,000,000,000 AMERICAN LOAN TO BRITAIN. HE WAS ALSO, AS ONE OF HIS ADMIRERS SAYS, "TEACHER, INSURANCE DIRECTOR, EDITOR, COLLEGE BURSAR, GOVERNMENT SERVANT, AND THEATRICAL MANAGER"; TRULY, A MAN OF PARTS.

THE MOST OUTSTANDING WRITINGS OF KEYNES WERE HIS FAMOUS BOOK, THE ECONOMIC CONSEQUENCES OF THE PEACE, WRITTEN AFTER WORLD WAR I AND FAVORABLY COMMENTED UPON BY LENIN, AND HIS EVEN MORE CELEBRATED WORK, THE GENERAL THEORY OF EMPLOYMENT, INTEREST AND MONEY, PUBLISHED IN 1936. THE LATTER, FORMULATED UNDER THE PRESSURE OF THE WORLD ECONOMIC CRISIS AND REPRESENTING THE CLIMAX OF KEYNES' THEORETICAL SYSTEM, CONTAINS THE MAIN BODY OF ECONOMIC DOCTRINE NOW KNOWN UNIVERSALLY AS "KEYNESISM."

### WHAT IS KEYNESISM?

FUNDAMENTALLY, KEYNES' SYSTEM IS AN ATTEMPT TO SAVE CAPITALISM AND CAPITALIST PROFITS BY SOLVING, OR AT LEAST BY SERIOUSLY MITIGATING, THE GROWING MENACE OF MASS UNEMPLOYMENT. TO THIS END, KEYNES EVOLVED HIS THEORETICAL ANALYSIS AND PRACTICAL PLANS, WHICH HAD AS THEIR MAJOR EXPRESSED OBJECTIVE THE ACHIEVEMENT OF FULL EMPLOYMENT WITHIN THE FRAMEWORK OF CAPITALISM. SUCH FULL EMPLOYMENT, KEYNES BELIEVED, WOULD AVERT THE RECURRING CYCLICAL ECONOMIC CRISES AND ALSO PUT AN END TO IMPERIALISM AND WAR, THUS PLACING CAPITALISM UPON AN EVER-ASCENDING SPIRAL OF PROGRESS THAT WOULD MAKE SOCIALISM BOTH UNNECESSARY AND IMPOSSIBLE.

KEYNES CHALLENGED THE CURRENT "SPONTANEOUS EQUILIBRIUM" THEORIES IN CAPITALIST ECONOMICS TO THE EFFECT THAT SUPPLY AUTOMATICALLY CREATES DEMAND AND DEMAND, SUPPLY. HE POLEMIZED AGAINST THOSE BOURGEOIS APOLOGISTS, WHO, IN A WORLD OF RAPIDLY GROWING MASS UNEMPLOYMENT, STILL MAINTAINED THE THEORETICAL ABSURDITY THAT UNDER CAPITALISM PRODUCTION AND CONSUMPTION AUTOMATICALLY BALANCE EACH OTHER (SAY'S LAW OF MARKETS), AND THAT CONSEQUENTLY OVERPRODUCTION AND ENDURING MASS UNEMPLOYMENT ARE IMPOSSIBLE. WITH TENS OF MILLIONS OF UNEMPLOYED THROUGHOUT THE WORLD TO LEND WEIGHT TO HIS WORDS, KEYNES ARGUED THAT THE CAPITALIST SYSTEM, FAR FROM BEING SELF-ADJUSTING, SUFFERS FROM AN ORGANIC CONTRADICTION, A DEEP-SEATED IMBALANCE BETWEEN PRODUCTION AND CONSUMPTION, WHICH TENDS, WITH THE MATURING OF CAPITALISM, TO CREATE MORE AND CHRONIC MASS UNEMPLOYMENT. THIS ECONOMIC FLAW, IF UNCORRECTED, HE SAID, MUST LEAD TO WIDESPREAD INDUS-

TRIAL BREAKDOWN AND POSSIBLY EVENTUAL REVOLUTION. "THE THEORETICAL WORKS OF KEYNES" SAYS THE WELL-KNOWN SOVIET ECONOMIST I.G.BLIUMIN, "REPRESENT AN ATTEMPT TO RESTRUCT BOURGEOIS POLITICAL ECONOMY IN CIRCUMSTANCES OF THE GENERAL CRISIS OF CAPITALISM...IN ESSENCE THIS IS A MATTER OF THE FURTHER STRENGTHENING AND DEVELOPMENT OF STATE-CAPITALIST ENTERPRISES, WHICH DURING THE WAR HAVE GROWN TO SUCH LARGE PROPORTIONS." (BULLETIN OF THE ACADEMY OF SCIENCES, U.S.S.R. DIVISION OF LAW AND ECONOMICS, NO. 4, 1946)

KEYNES' THEORETICAL ANALYSIS OF THE CAUSE OF GROWING MASS UNEMPLOYMENT AND, MORE SPECIFICALLY, OF DEEPENING CYCLICAL ECONOMIC CRISES, MAY BE STATED VERY BRIEFLY AS FOLLOWS: (A) SLOWDOWNS AND BREAKDOWNS OF PRODUCTION ARE CAUSED BY INADEQUATE DEMAND FOR CONSUMERS' AND CAPITAL GOODS; (B) THIS FAILURE OF EFFECTIVE DEMAND IS, IN TURN, CAUSED BY INSUFFICIENT CAPITAL INVESTMENT; (C) THIS INADEQUATE INVESTMENT IS BROUGHT ABOUT BY "OVER-SAVING" HABITS AMONG THE PEOPLE; (D) THIS "OVER-SAVING," BASED ON FUNDAMENTAL PSYCHOLOGICAL LAWS, "TENDS TO BECOME MORE MARKED WITH THE MATURING OF THE CAPITALIST ECONOMY. THE GENERAL RESULT, ARGUED KEYNES, IS THAT, WITH RESTRICTED INVESTMENTS AND REDUCED MASS PURCHASING POWER, UNEMPLOYMENT TENDS TO SPREAD, TO BECOME CHRONIC, AND TO ASSUME CATASTROPHIC DIMENSIONS IN THE RESULTANT EVER-DEEPER "BUSINESS CYCLES."

KEYNES ARGUED THAT THIS TENDENCY TOWARDS ECONOMIC STAGNATION AND COLLAPSE WAS INHERENT IN THE COMPETITIVE CAPITALIST SYSTEM AND THAT, IF LEFT TO OPERATE UNCHECKED IT COULD ONLY GROW WORSE AND MASS UNEMPLOYMENT WOULD SPREAD. HE CONTENDED THAT ONLY STATE INTERVENTION INTO THE ECONOMIC SPHERE, DIRECTED TOWARDS STIMULATING CAPITAL INVESTMENT, COULD PREVENT INDUSTRIAL DECLINE, AND CRISIS BY ESTABLISHING FULL EMPLOYMENT. HENCE, HE PROPOSED A SERIES OF MEASURES DESIGNED TO WEAKEN "THE PROPENSITY TO SAVE" AND TO STRENGTHEN "THE PROPENSITY TO CONSUME" — THAT IS, TO BRING ABOUT MORE CAPITAL INVESTMENT AND THUS TO INCREASE MASS PURCHASING POWER. AMONG THESE MEASURES WERE THE REDUCTION OF THE RATE OF INTEREST, INCENTIVE TAX LAWS, PUBLIC WORKS, GOVERNMENT HOUSING PROJECTS, SOCIAL SECURITY SYSTEMS, AND THE LIKE. IMPLICIT ALSO IN KEYNES' IDEA WAS A LIMITED AND RUDIMENTARY EFFORT TO "PLAN" THE ECONOMIC LIFE, RATHER THAN TO LEAVE IT TO THE WILD VAGARIES OF SO-CALLED FREE ENTERPRISE. IT WAS A PROGRAM OF "MODERATE," "CONTROLLED" INFLATION.

#### THE SEVERAL VARIETIES OF KEYNESIM

THE GENERAL IDEAS OF KEYNES HAVE RECEIVED WIDE ACCEPTANCE IN CAPITALIST CIRCLES, BOTH IN A THEORETICAL AND PRACTICAL SENSE. BUT THE VARIOUS CAPITALIST GROUPINGS AND IDEOLOGICAL TENDENCIES PUT THEIR OWN SPECIAL INTERPRETATION UPON KEYNESIM, OR TAKE FROM IT THOSE FEATURES MOST CONVENIENT FOR THEIR RESPECTIVE GROUP INTERESTS. CONSEQUENTLY, THERE ARE AT LEAST FOUR MAJOR KEYNESIAN STREAMS TO BE FOUND IN PRESENT CAPITALIST ECONOMIC THOUGHT AND PRACTICE.

1. IN LIBERAL CIRCLES THERE HAS BEEN A PRACTICALLY UNIVERSAL ACCEPTANCE AND ADAPTATION OF KEYNESIM. THIS IS EXEMPLIFIED BY THE ROOSEVELT-WALLACE MOVEMENT IN THE UNITED STATES AND BY THE BEVERIDGE PLAN IN GREAT BRITAIN. ROOSEVELT AND WALLACE HAD IN COMMON WITH KEYNES THE ATTEMPT TO BRIDGE THE GAP BETWEEN THE PRODUCING AND CONSUMING POWERS OF THE PEOPLE, UNDER CAPITALISM, WITH A VIEW TO ACHIEVING FULL EMPLOYMENT. PERHAPS THE MOST STRIKING CHARACTERISTIC OF THIS MAJOR LIBERAL VARIANT OF KEYNESIM IS THE STRESS THAT THE NEW DEALERS PUT UPON THE IMPROVEMENT OF THE REAL WAGES OF THE WORKERS AS A MEANS TO STRENGTHEN MASS CONSUMING POWER, WHEREAS KEYNES HIMSELF TOOK THE CONSERVATIVE POSITION THAT A DECLINE IN REAL WAGES TENDED TO INCREASE EMPLOYMENT. THIS DIFFERENCE ON THE WAGE QUESTION LARGELY EXPLAINS WHY ROOSEVELT WAS SO HATED AND KEYNES SO RESPECTED AMONG CAPITALISTS. LIBERAL ECONOMISTS IN THE UNITED STATES, LED FOR THE MOST PART BY THE HANSEN GROUP IN HARVARD UNIVERSITY, ARE ALMOST UNIVERSALLY SUPPORTERS OF KEYNESIM, AS THEY INTERPRET IT. HOW DEVOUTLY KEYNESIM IS LOOKED UPON AS A PREVENTIVE OF ECONOMIC CRISES, WAS ILLUSTRATED BY WALTER LIPPmann IN THE NEW YORK HERALD TRIBUNE OF NOVEMBER 25, 1947. IN REMARKING THAT A CERTAIN EUROPEAN COMMUNIST, UPON THE BASIS OF HIS MARXIAN TRAINING, WAS EXPECTING AN ECONOMIC CRISIS IN THE UNITED STATES, LIPPmann URGED THAT THIS MARXIST

SHOULD CORRECT THE ERROR OF HIS CONCLUSIONS BY READING JOHN MAYNARD KEYNES,

2. CONSERVATIVE CAPITALIST CIRCLES HAVE ALSO BEEN WIDELY AFFECTIONED BY KEYNESIAN IDEAS. KEYNES, ALTHOUGH STARTING OUT AS A LIBERAL, FINALLY BECAME THE ECONOMIC LEADER OF BRITISH BIG CAPITAL, WHICH EXPLAINS THE MANY MAJOR POSTS THAT HE HELD UNDER BOTH THE CHURCHILL AND ATLEE GOVERNMENTS. THE AMERICAN PSEUDO-PROGRESSIVE COMMITTEE ON ECONOMIC DEVELOPMENT, REPRESENTING 50,000 BUSINESS FIRMS, HAS IN ITS POLICIES MUCH OF THE KEYNESIAN LINE. IN FORTUNE, OCTOBER, 1944, A C.E.B. SPOKESMAN SAYS:

CONSTRUCTIVE POLICIES REPRESENTING TAXATION AND PUBLIC EXPENDITURES (INCLUDING EXPENDITURES FOR PUBLIC WORKS), INTELLIGENT HANDLING OF THE NATIONAL DEBT, AND ENLIGHTENED CONTROL OVER CREDIT AND MONEY, CAN GREATLY RETARD OR PREVENT EXCESSIVE SWINGS OF THE BUSINESS CYCLES.

THE TRUMAN ADMINISTRATION ALSO MAKES MANY ADAPTATIONS OF KEYNESIANISM IN ITS DOMESTIC AND FOREIGN ECONOMIC POLICIES. EVEN THE BIG BUSINESS N.A.M., ALTHOUGH OFFICIALLY CONSIDERING KEYNES AND FULL EMPLOYMENT AS ANATHEMA, HAS NEVERTHELESS BEEN MATERIALLY INFLUENCED BY KEYNESIANISM. IN ITS RECENTLY PUBLISHED, BIG TWO-VOLUME WORK ENTITLED THE AMERICAN INDIVIDUAL ENTERPRISE SYSTEM, THERE IS MORE THAN ONE CAUTIOUS ENDORSEMENT OF THE KEYNESIAN PROPOSITION OF GOVERNMENT SPENDING AS A MEANS TO OVERCOME ECONOMIC CRISES; PRESENT TOO, ARE NUMEROUS ADAPTATIONS OF VARIOUS KEYNESIAN FINANCIAL PLANS. IN THE MINDS OF THE BIG CAPITALIST SUPPORTERS OF THE CURRENT HUGE AMERICAN MILITARIZATION PROJECTS AND THE MARSHALL PLAN, THERE IS A WIDESPREAD FEELING THAT SUCH GOVERNMENT CULTIVATION OF AMERICAN INDUSTRY AND EFFORTS IS ECONOMICALLY NECESSARY, IF OVERPRODUCTION TENDENCIES ARE TO BE COMBATED AND AN AMERICAN CYCLICAL CRISIS IN THE NEAR FUTURE IS TO BE AVERTED OR MITIGATED. PROFESSOR ALVIN H. HANSEN IS CORRECT IN SAYING THAT "THE INFLUENCE OF KEYNES PERMEATES ALL OFFICIAL INTERNATIONAL GATHERINGS GRAPPLING WITH ECONOMIC PROBLEMS." (THE NEW ECONOMICS, -ESSAYS BY VARIOUS AUTHORS-EDITED WITH INTRODUCTIONS BY SEYMOUR E. HARRIS, KNOPF, NEW YORK, 1947, P. 143.)

3. FASCISTS, PARTICULARLY THOSE OF GERMANY AND ITALY, ALSO FOUND KEYNESIAN PRINCIPLES VERY ADAPTABLE TO THEIR ULTRA-REACTIONARY ECONOMIC AND POLITICAL SYSTEMS. HITLER AND MUSSOLINI EARLY BROKE WITH THE THEORETICAL DRIVEL OF THE "FREE ENTERPRISERS." THE FASCIST DICTATORS CONSCIOUSLY WORKED ON THE KEYNESIAN THEORY THAT CAPITALIST ECONOMIC PROCESSES, WORKING SPONTANEOUSLY, TENDED INEVITABLY TO PRODUCE A PROGRESSIVELY DEEPER "DEFLATIONARY GAP" BETWEEN PRODUCTION AND CONSUMPTION AND THUS TO CAUSE INDUSTRIAL SHUTDOWN AND MASS UNEMPLOYMENT. THEY BELIEVED, TOO, THAT TO OVERCOME THIS GAP, GOVERNMENT INVESTMENT WAS NECESSARY. SO THEY PROCEEDED TO IMPLEMENT THEIR FASCIST INTERPRETATION OF KEYNES' GOVERNMENT INVESTMENT THEORIES BY EMBARKING UPON HUGE ARMAMENTS BUILDING AND PREPARATIONS FOR IMPERIALIST WAR. THIS IS THE WAY THEY PRODUCED "FULL EMPLOYMENT." KEYNES' THEORIES WERE WIDELY AND FAVORABLY RECEIVED IN THE FASCIST PRESS. JURGEN KUCZYNISKY QUOTES DR. HJA MAR SCHACT AS SAYING IN DER DEUTSCHE VOLKSWIRT THAT KEYNES' IDEAS "REPRESENT THE THEORETICAL EXPLANATION AND JUSTIFICATION OF NATIONAL SOCIALIST ECONOMY." (JURGEN KUCZYNISKY, NEW FASHIONS IN WAGE THEORY, INTERNATIONAL PUBLISHERS, 1937, P. 15)

4. MOST IMPORTANT FROM A LABOR STANDPOINT, KEYNESIAN HAS ALSO SOAKED DEEPLY INTO THE RANKS OF THE WORKING CLASS AND ITS ORGANIZATIONS. HERE IT HAS ITS OWN SPECIAL CHARACTERISTICS. IN GREAT BRITAIN THE LABOR PARTY AND THE TRADES UNION CONGRESS ARE SATURATED WITH KEYNESIANISM, AS IS THE LABOR GOVERNMENT. THEIR SOCIAL-DEMOCRATIC LEADERSHIP FINDS IT VERY CONVENIENT TO PEDDL KEYNESIAN CAPITALIST IDEAS TO THE WORKERS UNDER GENERAL SLOGANS OF SOCIALISM. IN FACT, KEYNESIAN IS TODAY THE ECONOMIC PROGRAM OF RIGHT-WING SOCIAL-DEMOCRACY THE WORLD OVER. IN THE UNITED STATES ESPECIALLY, KEYNESIAN HAS PENETRATED FAR INTO THE IDEOLOGY OF THE TRADE-UNION MASSES. THE A.F. OF L. ALTHOUGH STILL TINCTURED WITH N.A.M. "FREE ENTERPRISE" NOTIONS, HAS NEVERTHELESS BECOME PRETTY GENERALLY COMMITTED TO THE KEYNESIAN IDEA THAT GOVERNMENT SPENDING CAN PUT AN END TO CYCLICAL CRISES AND ACHIEVE FULL EMPLOYMENT WITHIN THE FRAMEWORK OF CAPITALISM. THE C.I.O. AND THE RAILROAD BROTHERHOODS ARE VEN MORE DEFINITELY KEYNESIAN IN THEIR OUTLOOK. AMERICAN ORGANIZED LABOR ABSORBED THESE KEYNESIAN IDEAS DURING THE ROOSEVELT PERIOD. EVEN THE COMMUNIST PARTY DID NOT PROVE WHOLLY IMMUNE TO THE BIG

DRIVE OF KEYNESISM IN ROOSEVELT'S TIME, AS WITNESS THE ACCEPTANCE BY EARL BROWDER OF THE GENERAL KEYNESIAN LINE, EXPRESSED IN TAILING AFTER THE ROOSEVELT REGIME.

#### THE "KEYNESIAN REVOLUTION"

SUPPORTERS OF KEYNES VERY FREQUENTLY CHARACTERIZE HIS THEORY AND PROGRAM AS THE "KEYNESIAN REVOLUTION." AN AMERICAN ECONOMIST, LAWRENCE R. KLEIN, HAS RECENTLY WRITTEN A BOOK WITH THIS TITLE. BUT, AS MR. KLEIN ASSURES THE CAPITALISTS, THEY NEED HAVE NO FEARS FOR THEIR REGIME FROM KEYNESIAN ATTACKS. FOR, AS HE SAYS, THERE IS NOTHING REVOLUTIONARY IN KEYNES; NEITHER IN HIS THEORY, NOR IN HIS PRACTICE.

KEYNES HAS NOT, DESPITE HIS ENTHUSIASTS' ASSERTIONS REVOLUTIONIZED BOURGEOIS POLITICAL ECONOMY. ON THE CONTRARY, IN HIS GENERAL THEORY HE ASSUMES THE CORRECTNESS OF THE WHOLE BODY OF VULGAR CAPITALIST ECONOMY. HE MAKES NO CHALLENGE TO THE PRINCIPLES GOVERNING THE EXPLOITATION OF THE WORKERS AND THE EXTRACTION FROM THEM OF THE SURPLUS VALUE WHICH REACHES THE EXPLORERS' POCKETS IN THE FORM OF INTEREST, RENT, & PROFIT, AND UPON WHICH THE CAPITALIST SYSTEM IS BASED. KEYNES' SYSTEM, THEREFORE, IS CHARACTERIZED BY SUPERFICIALITY. FAR FROM OVERTHROWING THE MAJOR ECONOMIC THEORIES OF CAPITALISM, HE DOES NOT EVEN DISCUSS THEM ARBITRARILY TAKING THEM FOR GRANTED. INSTEAD, KEYNES CONFINES HIMSELF NARROWLY TO THE PRACTICAL OPERATION OF CAPITALIST BUSINESS, ESPECIALLY WITH REGARD TO MEASURES TO COUNTERACT CYCLICAL CRISES AND MASS UNEMPLOYMENT. INDEED, PROFESSOR KLEIN HASTENS TO ASSURE US, "THE REVOLUTION WAS SOLELY THE DEVELOPMENT OF A THEORY OF EFFECTIVE DEMAND." (LAWRENCE R. KLEIN, THE KEYNESIAN REVOLUTION, MACMILLAN, NEW YORK 1947, P. 56) BUT IF KEYNES HAS NOT REVOLUTIONIZED CAPITALIST POLITICAL ECONOMY HE HAS NEVERTHELESS, IN THE PRACTICAL FIELD IN WHICH HE OPERATES, EXERCISED A WIDE INFLUENCE ON CAPITALIST ECONOMIC THINKING AND POLICIES, AS WE HAVE ALREADY INDICATED.

NEEDLESS TO SAY, KEYNES MADE NO THEORETICAL "CONTRIBUTIONS" TO MARXISM. PAUL M. SWEETZ GIVES AN INCORRECT IMPRESSION WHEN HE SAYS, IN THE QUATERLY MAGAZINE SCIENCE AND SOCIETY:

I THINK THERE IS A GREAT DEAL IN MARX—ESPECIALLY IN THE UNFINISHED LATER VOLUMES OF CAPITAL AND IN THE THEORIEN UBER DEN MEHRWERK—which TAKES ON A NEW MEANING AND FITS INTO ITS PROPER PLACE WHEN READ IN THE LIGHT OF THE KEYNESIAN CONTRIBUTIONS. MOREOVER, AT LEAST IN BRITAIN AND THE UNITED STATES, THE KEYNESIANS ARE FAR BETTER TRAINED AND EQUIPPED TECHNICALLY (FOR INSTANCE, IN THE VERY IMPORTANT SPHERE OF GATHERING AND INTERPRETING STATISTICAL DATA) THAN MARXIST ECONOMISTS, AND AS MATTERS NOW STAND THERE IS NO DOUBT WHICH GROUP CAN LEARN MORE FROM THE OTHER. (SCIENCE AND SOCIETY, FALL, 1946, P. 494).

AND MR. FRANK VERULAN PAINTS A MISLEADING PICTURE WHEN HE STATES:

...LORD KEYNES WAS TRYING TO DISCOVER THE HOW AND WHY OF UNEMPLOYMENT, AND TO THE EXTENT TO WHICH HE SUCCEEDED IT IS NOT SURPRISING THAT HIS ANALYSIS BEARS A FAMILY RELATIONSHIP TO THAT OF MARX. TO THAT EXTENT, THE GULF BETWEEN MARXIST AND NON-MARXIST ECONOMISTS HAS BEEN BRIDGED, AND THERE IS NOW SOME COMMON GROUND BETWEEN THE TWO, EVEN IF IT BE LARGELY GROUND FOR DEBATE. (THE MODERN QUATERLY, LONDON, SPRING 1947, P. 169)

MARXISTS, NOTABLY MARX HIMSELF AND LENIN, HAVE ALWAYS BEEN ALERT TO GLEAN WHAT WAS TO BE HAD FROM BOURGEOIS WRITERS AND THEY FREELY GAVE THE LATTER FULL CREDIT THEREFORE. OF COURSE, A MAN SO BRILLIANT AND WITH SUCH WIDE PRACTICAL EXPERIENCE IN THE HIGHEST POLICY LEVELS OF CAPITALIST BIG BUSINESS AND POLITICS AS KEYNES HAS MUCH IN HIS WRITINGS THAT IS INFORMATIVE AND INSTRUCTIVE REGARDING THE PRACTICAL WORKINGS OF CAPITALISM. MARXISTS CAN PROFIT FROM THIS PRACTICAL INFORMATION. BUT THAT IS ABOUT THE LIMIT OF THE VALUE OF KEYNESIANISM TO MARXISTS. AS REGARDS THEORY, KEYNESIANISM HAS NOTHING WHATEVER TO OFFER TO MARXISM. KEYNESIANISM IS PRO-CAPITALIST THROUGHOUT. MARXISTS CAN AND DO SUPPORT REFORMS ADVANCED BY MANY KEYNESIANS, BUT THAT IS A FAR CRY FROM ACCEPTING KEYNES' THEORY. KEYNESIANISM COLLIDES WITH MARXISM AT EVERY POINT. ATTEMPTS TO CONSOLIDATE KEYNESIANISM WITH MARXISM, OR TO CONSIDER KEYNESIANISM AS A SORT OF MODERN EXTENSION OF MARXISM, ARE UNFOUNDED AND MUST THEREFORE FAIL.

KEYNES WAS DEFINITELY AND AGGRESSIVELY ANTI-MARXIST, AND HE MADE NO EFFORT TO STUDY OR TO UNDERSTAND SOVIET SOCIALIST EXPERIENCE, ALTHOUGH HE HAD VISITED THE U.S. S.R. PROFESSOR SEYMOUR E. HARRIS, AN ARDENT KEYNESIAN AND NOTED AMERICAN ECONOMIST, SAYS IN THIS RESPECT: "KEYNES WAS PARTICULARLY CRITICAL OF SOCIALIST ECONOMICS. IT IS DIFFICULT TO UNDERSTAND HIS RATHER EXTREME AND UNFAIR ATTACK ON BOTH MARXIAN AND RUSSIAN ECONOMICS. IN HIS VIEW, THERE WAS NOTHING TO BE LEARNED FROM RUSSIAN ECONOMICS." (THE NEW ECONOMICS, P. 547) KEYNES CALLED MARXISM THE "UNDERWORLD" OF POLITICAL ECONOMY, AND STATED IN 1932:

HOW CAN I ACCEPT A (THE COMMUNISTIC) DOCTRINE WHICH SETS UP AS ITS BIBLE, ABOVE AND BEYOND CRITICISM, AN OBSOLETE ECONOMIC TEXTBOOK WHICH I KNOW TO BE NOT ONLY SCIENTIFICALLY ERRONEOUS BUT WITHOUT INTEREST OR APPLICATION FOR THE MODERN WORLD? HOW CAN I ADOPT A CREED WHICH, PREFERRING THE MUD TO THE FISH, EXALTS THE BOORISH PROLETARIAT ABOVE THE BOURGEOIS AND THE INTELLIGENTSIA WHO, WITH WHATEVER FAULTS, ARE THE QUALITY IN LIFE AND SURELY CARRY THE SEEDS OF ALL HUMAN ADVANCEMENT? EVEN IF WE NEED A RELIGION, HOW CAN WE FIND IT IN THE TURBID RUBBISH OF THE RED BOOKSHOPS? (JOHN MAYNARD KEYNES, ESSAYS IN PERSUASION, HAROURT BRACE, NEW YORK, 1932, P. 300).

HERE IS EXPOSED KEYNES' PROFOUND ADHERENCE TO CAPITALISM. HE NOT ONLY SNEERS AT MARXISM AND THE WORKING CLASS, BUT EXTOLS THE VIRTUES OF CAPITALISTS AND CAPITALIST EXPLOITATION, TO THE PRESERVATION OF WHICH HIS WHOLE SYSTEM OF THOUGHT IS DIRECTED.

EVEN AS KEYNES DID NOT REVOLUTIONIZE BOURGEOIS POLITICAL ECONOMY (MUCH LESS RE-ORIENT MARXISM), SO TOO HE FAILED TO SET FOR HIMSELF ANY REVOLUTIONARY SOCIAL OBJECTIVES. KEYNES APPROACHED HIS WORK AS AN ECONOMIST STRICTLY FROM A CAPITALIST STANDPOINT. HE WAS UNRESPONSIVE TO THE MISERY AND POVERTY OF THE WORKERS AND WAS CONTEMPTUOUS REGARDING THEIR POLITICAL CAPACITIES. HIS AIM WAS TO MAKE CAPITALISM (MORE CONCRETELY, BRITISH IMPERIALISM) WORK, AND HIS WHOLE LIFE WAS DEVOTED TO THIS END. HE BELIEVED CAPITALISM COULD ACHIEVE FULL EMPLOYMENT AND EXIST INDEFINITELY. THE CAPITALISTS WOULD REMAIN MASTERS, BUT WITH THEIR WINGS CLIPPED A LITTLE. THE STATE WOULD ASSUME GREATER CONTROL OVER INDUSTRY, BUT NOT TO THE EXTENT OF THE NATIONALIZATION OF INDUSTRY. KEYNES SAYS:

THE STATE WILL HAVE TO EXERCISE A GUIDING INFLUENCE ON THE PROPENSITY TO CONSUME PARTLY THROUGH ITS SCHEME OF TAXATION, PARTLY BY FIXING THE RATE OF INTEREST, AND PARTLY, PERHAPS, IN OTHER WAYS... A SOMEWHAT COMPREHENSIVE SOCIALIZATION OF INVESTMENT WILL PROVE THE ONLY MEANS OF SECURING AN APPROXIMATION TO FULL EMPLOYMENT... BUT BEYOND THIS NO OBVIOUS CASE IS MADE OUT FOR A SYSTEM OF STATE SOCIALISM WHICH WOULD EMBRACE MOST OF THE ECONOMIC LIFE OF THE COMMUNITY. IT IS NOT THE OWNERSHIP OF THE INSTRUMENTS OF PRODUCTION WHICH IT IS IMPORTANT FOR THE STATE TO ASSUME. (THE GENERAL THEORY OF EMPLOYMENT, INTEREST AND MONEY, HAROURT, BRACE, NEW YORK, P. 378).

KEYNES ENDORSED CAPITALIST EXPLOITATION IN THE FOLLOWING CYNICAL PASSAGE:

FOR MY OWN PART, I BELIEVE THAT THERE IS SOCIAL AND PSYCHOLOGICAL JUSTIFICATION FOR SIGNIFICANT INEQUALITIES OF INCOMES AND WEALTH, BUT NOT FOR SUCH LARGE DISPARITIES AS EXIST TODAY. THERE ARE VALUABLE HUMAN ACTIVITIES WHICH REQUIRE THE MOTIVE OF MONEY-MAKING AND THE ENVIRONMENT OF PRIVATE WEALTH-OWNERSHIP FOR THEIR FULL FRUITION. MOREOVER, DANGEROUS HUMAN PROCLIVITIES CAN BE CHANALISED INTO COMPARATIVELY HARMLESS CHANNELS BY THE EXISTENCE OF OPPORTUNITIES FOR MONEY-MAKING AND PRIVATE WEALTH, WHICH, IF THEY CANNOT BE SATISFIED IN THIS WAY, MAY FIND THEIR OUTLET IN CRUELTY, THE RECKLESS PURSUIT OF PERSONAL POWER AND AUTHORITY, AND OTHER FORM OF SELF-AGGRANDISEMENT. (IBID. P374)

IN REPLY TO THOSE ULTRA-REACTIONARIES WHO CONSIDER THE INNOVATIONS OF KEYNES AS RADICALISM, KLEIN HAS THE FOLLOWING TO SAY:

THERE IS A GREAT MISUNDERSTANDING AMONG THE AMERICAN PUBLIC THAT THE PRACTICAL REFORM MEASURES OF THE KEYNESIAN ECONOMISTS ARE LEADING TO SOCIALISM. IT MUST BE EMPHASIZED THAT THE KEYNESIAN REFORMS DO NOT INFRINGE UPON THE RIGHTS OF PRIVATE INDIVIDUALS TO OWN PRODUCER GOODS. THE MOST IMPORTANT CHARACTERISTIC OF A SOCIALIST ECONOMY IS THAT THERE DO NOT EXIST PRIVATE PROPERTY RIGHTS OVER PRODUCER GOODS. THE KEYNESIAN APPROACH VISUALIZES THE STATE AS A BALANCING FORCE WHICH SERVES ONLY TO SUPPLEMENT THE BEHAVIOR OF INDIVIDUAL CAPITALISTS, WHILE THE SOCIALIST APPROACH VISUALIZES THE STATE AS THE SOLE ENTREPRENEUR WHICH REPLACES, ENTIRELY, THE INDIVIDUAL CAPITALISTS. THE KEYNESIAN POLICY IS, INDEED, A CONSERVATIVE ONE BECAUSE IT AIMS TO CONSERVE FREE-ENTERPRISE CAPITALISM. SOCIALISM IS NOT CONSERVATIVE; IT IS RADICAL AND AIMS TO CHANGE THE CAPITALIST SYSTEM INTO A COMPLETELY DIFFERENT FORM. (THE KEYNESIAN REVOLUTION, P. 167)

PROFESSOR HARRIS CHARACTERIZES THE AIMS OF KEYNESIANISM THUS:

KEYNES WOULD INDEED TRY TO PRESERVE CAPITALISM BY RIDING IT OF ITS PARASITIC ELEMENTS. EXCESS SAVINGS; HIGH RATES OF INTEREST; THE HEREDITARY PRINCIPLE AND ITS DEBILITATING EFFECT ON CAPITALISM; THE PREFERENCE OF THE FUTURE OVER THE PRESENT--THESE WERE THE SPECIAL TARGETS OF HIS CRITICISM. (THE NEW ECONOMICS, P. 544)

AND FURTHER:

YET IT IS FAR FROM THE TRUTH TO CLASSIFY KEYNES AS A SOCIALIST OR EVEN AS A DESTROYER OF CAPITALISM. IN HIS ATTACKS ON THE LABOR PARTY, ON THE TYRANNY OF TRADE UNIONISM, ON SOCIALISM AND COMMUNISM, IN HIS UNWILLINGNESS EVEN IN WARTIME TO DEPRIVE CONSUMERS OF THEIR RIGHTS TO CHOOSE AMONG ALTERNATIVE COMMODITIES, KEYNES SHOWED THAT TO THE VERY END HE REMAINED A DEFENDER OF CAPITALISM, OF A SYSTEM OF PRIVATE ENTERPRISE... (IBID. P. 545)

#### ECONOMIC AND POLITICAL FALLACIES OF KEYNESIANISM

KEYNESIANISM CANNOT ACHIEVE ITS AVOWED GOAL OF PERMANENT FULL EMPLOYMENT WITHIN THE FRAMEWORK OF THE CAPITALIST SYSTEM. THIS IS SO BECAUSE IT DOES NOT REMOVE THE FUNDAMENTAL CAUSE OF MASS UNEMPLOYMENT, NAMELY, THE BASIC CONTRADICTION BETWEEN THE SOCIAL CHARACTER OF PRODUCTION AND THE PRIVATE CHARACTER OF APPROPRIATION. KEYNESIANISM DEALS WITH SYMPTOMS, NOT BASIC CAUSES. LIKE ALL ESSENTIALLY UNDER-CONSUMPTION THEORIES, KEYNESIANISM DOES NOT CONCERN ITSELF WITH THE CLASS RELATIONS WITHIN CAPITALIST PRODUCTION, WHICH, RESULTING IN THE WHOLESALE ROBBERY OF THE WORKERS, CONSTITUTE THE BASIC CAUSE OF CYCLICAL CRISES AND MASS UNEMPLOYMENT. LENIN SAYS:

GIGANTIC CRASHES HAVE BECOME POSSIBLE AND INEVITABLE, ONLY BECAUSE POWERFUL SOCIAL PRODUCTIVE FORCES HAVE BECOME SUBORDINATED TO A GANG OF RICH MEN, WHOSE ONLY CONCERN IS TO MAKE PROFITS. (V. I. LENIN, COLLECTED WORKS, INTERNATIONAL PUB. NEW YORK, VOL. IV, BOOK I, P. 172)

KEYNESIANISM DOES NOT CHALLENGE CAPITALIST EXPLOITATION OF THE WORKERS, PRODUCTION FOR PRIVATE PROFIT, OR THE POLITICAL RULE OF THE CAPITALISTS. WITH ITS POLICIES OF STIMULATING INVESTMENT THROUGH GOVERNMENT FINANCING, KEYNESIANISM GOES NOT FURTHER THAN TO PAPER-BRIDGE THE WIDENING "GAP" BETWEEN THE DEVELOPING POWER OF PRODUCTION AND THE RESTRICTED CHARACTER OF THE CAPITALIST MARKET AFTER THIS GAP HAS BEEN CREATED BY THE ANTAGONISTIC SOCIAL RELATIONSHIPS WITHIN CAPITALIST PRODUCTION. THE MOLEHILL OF GOVERNMENT PUBLIC WORKS EXPENDITURES CANNOT OFFSET THE MOUNTAIN OF SURPLUS VALUE STOLEN FROM THE WORKERS BY THE CAPITALISTS.

HENCE, AS V. GAYEV SAYS, KEYNESIANISM IS "UNABLE TO ELIMINATE THE BASIC EVIL AND AT BEST CAN ONLY STRIVE TO POSTPONE THE MOMENT WHEN THESE CONTRADICTIONS LEAD TO CRISIS." (WAR AND THE WORKING CLASS, MOSCOW, 1944, NO. II). EVEN A TINKER, HOWEVER, CAN MAKE MINOR REPAIRS, AND SO DOES KEYNESIANISM. KEYNESIAN PUBLIC WORKS, SOCIAL SECURITY,

AND SIMILAR PROJECTS MITIGATE IN SOME DEGREE THE EXTEND AND THE DEVASTATING EFFECTS OF MASS UNEMPLOYMENT UPON THE WORKERS; THEREFORE THE WORKERS SHOULD SUPPORT THEM. BUT THESE REFORMS CANNOT ABOLISH MASS UNEMPLOYMENT, AVERT CYCLICAL CRISES, OR CURE THE DEEPENING GENERAL CRISIS OF THE WORLD CAPITALIST SYSTEM.

AS ALEXANDER BITTELMAN SAYS, "FULL EMPLOYMENT PERMANENTLY IS INCOMPATIBLE WITH THE CAPITALIST MODE OF PRODUCTION." (POLITICAL AFFAIRS, JANUARY, 1946, P. 172) IN ORDER TO ABOLISH MASS UNEMPLOYMENT AND CYCLICAL CRISES THE WORKERS AND THEIR ALLIES MUST DEVELOP POLICIES CAPABLE OF CURBING AND EVENTUALLY BREAKING THE POWER OF THE CAPITALISTS IN INDUSTRY AND THEIR MONOPOLY OF THE MEANS OF PRODUCTION. THESE POLICIES, GOING, TO SAY THE LEAST, FAR BEYOND THE LIMITED REFORMS OF THE LIBERAL KEYNESIANS, MUST EVENTUALLY EXTEND TO SUCH MEASURES AS THE NATIONALIZATION OF THE BANKS AND MAJOR INDUSTRIES, AND THE ESTABLISHMENT OF A PLANNED ECONOMY. THE CARRYING OUT OF SUCH MEASURES WILL DEMAND THAT THE WORKERS AND THEIR ALLIES SECURE POLITICAL POWER. ONLY WHEN THESE DEMOCRATIC, ANTI-CAPITALIST FORCES ARE IN FULL COMMAND OF THE NATION'S DECISIVE ECONOMIC RESOURCES AND GOVERNMENT POSTS CAN THE PRESENT BASIC CONTRADICTION BETWEEN PRODUCTION AND CONSUMPTION BE FINALLY SOLVED, CYCLICAL CRISES ERADICATED, AND MASS UNEMPLOYMENT ENDED. THIS MEANS ADVANCE INTO SOCIALISM. THE USSR WITH ITS SOCIALIST PLANNED ECONOMY, AND THE PERMANENT AND TOTAL ERADICATION OF MASS UNEMPLOYMENT, HAS GIVEN THE WORLD THE ONLY PRACTICAL, FINAL ANSWER TO THE BURNING PROBLEM OF WHOLESALE JOBLESSNESS. MARX, NOT KEYNES, POINTS THE WAY TO FULL EMPLOYMENT.

WITHIN THE GENERAL SPHERE OF ITS FAILURE TO ATTACK THE EVIL OF MASS UNEMPLOYMENT AT ITS CAPITALIST ROOTS, KEYNESMISM IS ALSO AFFLICTED WITH A WHOLE SERIES OF ERRORS, WEAKNESSES, AND MISCONCEPTIONS. AMONG THEM MAY BE NOTED:

1. NUMEROUS ECONOMIC FALLACIES, INCLUDING INCORRECT THEORIES OF VALUE, WAGES, MONEY, CAPITAL ACCUMULATION, AND INVESTMENT. GROSS EXAGGERATIONS OF THE STIMULATING VALUE OF "THE MULTIPLIER" (PUMP-PRIMING), AND ILLUSIONS REGARDING DEFICIT FINANCING AND THE ROLE OF THE NATIONAL DEBT.

2. A FALSE INTERPRETATION OF MASS PSYCHOLOGY IN ECONOMIC QUESTIONS. IN THIS MATTER KEYNES PUTS THE CART BEFORE THE HORSE. HE TRIES TO PROVE THAT THE UPS AND DOWNS OF THE NATIONAL ECONOMY ARE DETERMINED BY THE VARYING MOODS OF THE PEOPLE REGARDING CONSUMPTION AND INVESTMENT, WHEREAS THE OPPOSITE IS THE CASE. IT IS PRIMARILY THE ECONOMIC FLUCTUATIONS THAT PRODUCE THE PEOPLE'S CHANGING ECONOMIC MASS MOODS AND ACTIONS. KEYNES THUS DISTORTS THE BASIC CLASS CHARACTER OF MASS ECONOMIC PSYCHOLOGY.

3. A GROSS UNDERESTIMATION OF THE REACTIONARY ROLE OF MONOPOLY CAPITAL. KEYNES IN HIS GENERAL THEORY, HARDLY MENTIONS MONOPOLY AT ALL. HE WRITES ALMOST AS THOUGH IN GREAT BRITAIN AND THE UNITED STATES THERE STILL EXISTS A SYSTEM OF COMPETITIVE, "LAISSEZ FAIRE," CAPITALISM. THIS ATTITUDE ON HIS PART AMOUNTS TO AN ATTEMPT TO BY-PASS THE MAJOR OPPPOSING FORCE WHICH IS ARRAYED AGAINST EVERY PROGRESSIVE ECONOMIC AND POLITICAL CAUSE IN THE PRESENT-DAY WORLD, MONOPOLY CAPITAL.

4. AN OVERTSIMPLIFICATION OF THE QUESTIONS OF IMPERIALISM AND WAR. KEYNES, ALTHOUGH HIMSELF AN INDEFATIGABLE CHAMPION OF BRITISH IMPERIALISM (WHICH EXPLAINS LARGE WHY HIS PERSONAL PRESTIGE WAS NOT GREAT IN AMERICAN CAPITALIST CIRCLES), NEVERTHELESS ATTEMPTS TO BRUSH ASIDE THE WHOLE QUESTION OF ABOLISHING IMPERIALISM AND WAR AS BEING MERELY A MATTER OF ACHIEVING FULL EMPLOYMENT, BY HIS METHODS, IN THE BIG CAPITALIST COUNTRIES. THIS WOULD END ALL DANGEROUS FRICTIONS AND RIVALRIES BETWEEN THE GREAT POWERS, HE BELIEVES. THE BASIC QUESTION OF THE UNEVEN DEVELOPMENT OF CAPITALISM IN THE VARIOUS COUNTRIES, WHICH WAS SO MUCH STRESSED BY LENIN AS A FACTOR MAKING FOR IMPERIALIST WAR, IS CHARACTERISTICALLY IGNORED ALTOGETHER BY KEYNES.

5. AN INCORRECT THEORY OF THE STATE. KEYNES, WHO COULD HAVE PROFITED GREATLY FROM EVEN A GLANCE AT LENIN'S STATE AND REVOLUTION, PICTURES THE STATE AS AN IMPARTIAL INSTITUTION STANDING ABOVE AND APART FROM SEPARATE CLASS INTERESTS AND ADVANCE-

CING SOCIETY'S GENERAL WELFARE. THIS NONSENSICAL BOURGEOIS NOTION, WHICH CONTRADICTS EVERY REALITY OF THE PRESENT SOCIAL ORDER, IN WHICH THE CAPITALISTS BRAZENLY USE THE STATE TO ADVANCE THEIR SPECIFIC CLASS INTERESTS, RENDERS WORTHLESS THE KEYNESIAN ANALYSIS OF THE POLITICAL ASPECTS OF THE PROBLEM OF ACHIEVING FULL EMPLOYMENT.

6. CLASS COLLABORATIONISM. KEYNES' MAIN ECONOMIC AND POLITICAL ARGUMENTATION AMOUNTS TO A DENIAL OF THE CLASS STRUGGLE AND TO THE PROMULGATION OF A PROGRAM OF ALL-CLASS COLLABORATION. HE STARTS OUT WITH THE ECONOMIC THEORY THAT "OVER-SAVING," OF WHICH HE COMPLAINS SO MUCH, IS NOT BROUGHT ABOUT BY THE HEAPING UP OF SURPLUS VALUE IN THE HANDS OF THE CAPITALISTS, AS THE MARXISTS POINT OUT, BUT IS CAUSED BY EXCESSIVE SAVING HABITS BY ALL SOCIAL CLASSES, INCLUDING THE WORKERS. AND HE WINDS UP WITH THE POLITICAL PROPOSAL OF AN AMORPHOUS ALL-CLASS MOVEMENT FOR SUPPOSEDLY GENERAL SOCIAL ENDS. THE FUTILITY OF SUCH CLASS COLLABORATIONISM AS A MEANS OF ACHIEVING FULL EMPLOYMENT NEEDS NO ELABORATION IN THE COLUMNS OF POLITICAL AFFAIRS. IT IS INTERESTING TO NOTE, HOWEVER, THAT THE LIBERAL KEYNESIANS, ROOSEVELT AND WALLACE, WHEN THEY HAVE ACTUALLY TRIED TO STRENGTHEN THE MASS PURCHASING POWER, FOUND THEMSELVES IN THE MIDST OF FIERCE POLITICAL STRUGGLES AND WERE THOROUGHLY OPPOSED BY THE GREAT BULK OF THE BIG BOURGEOISIE.

7. A STRONG CURRENT OF UTOPIANISM. AMONG KEYNESIANS, PARTICULARLY THOSE OF A LIBERAL PERSUASION, THERE IS A MARKED UTOPIAN STREAK.

TO THE KEYNESIANS, THEIR POLICY SEEMS SUCH A FEASIBLE ONE—NAMELY, TO MAKE CAPITALISM WORK AND BECOME MORE PROFITABLE — THAT THEY CANNOT UNDERSTAND WHY THE BIG CAPITALISTS DO NOT ACCEPT THEIR FULL EMPLOYMENT PROJECTS OUT-OF-HAND. THEIR APPEAL IS TO THE SO-CALLED INTELLIGENT CAPITALISTS. THEY FAIL TO REALIZE THAT MONOPOLY CAPITAL IS NOT INTERESTED IN, BUT IS OPPOSED TO, FULL EMPLOYMENT; THAT, FAR FROM HAVING THE PEOPLE'S INTERESTS IN MIND, IT TENDS TO HEAD IN THE CONTRARY DIRECTION OF FASCISM, IMPERIALIST EXPANSION, AND WAR.

ONE HUNDRED YEARS AGO MARX AND ENGELS HAD THE FOLLOWING TO SAY ABOUT UTOPIANS:

THEY WANT TO IMPROVE THE CONDITION OF EVERY MEMBER OF SOCIETY, EVEN THAT OF THE MOST FAVORED. HENCE, THEY HABITUALLY APPEAL TO SOCIETY AT LARGE, WITHOUT DISTINCTION OF CLASS; NAY, BY PREFERENCE, TO THE RULING CLASS. FOR HOW CAN PEOPLE, WHEN ONCE THEY UNDERSTAND THEIR SYSTEM, FAIL TO SEE IN IT THE BEST POSSIBLE PLAN OF THE BEST POSSIBLE STATE OF SOCIETY? (THE COMMUNIST MANIFESTO, INTERNATIONAL PUBLISHERS, 1932, p. 40)

IT WAS WITH CHARACTERISTIC KEYNESIAN UTOPIANISM THAT EARL BROWDER ENTHUSIASSTICALLY LOOKED TO THE CAPITALISTS, IN THEIR "TRUE CLASS INTEREST," VOLUNTARILY TO DOUBLE THE REAL WAGES OF THEIR WORKERS AND TO INDUSTRIALIZE AND DEMOCRATIZE THE BACKWARD AREAS OF THE WORLD. KLEIN SAYS, TOO, IN THE SAME UTOPIAN VEIN: "FULL EMPLOYMENT SEEMS TO BE SUCH A DESIRABLE ECONOMIC POLICY THAT WE MAY WELL BE LED TO WONDER WHY THERE MUST BE ANY OPPOSITION TO IT." (THE KEYNESIAN REVOLUTION, p. 179)

FOR ALL THOSE WHO BELIEVE THAT THE MAN-EATING TIGER, CAPITALISM, CAN BE TRANSFORMED INTO A PEACEFUL DOMESTICATED ANIMAL WORKING IN THE SERVICE OF MANKIND, STALIN HAS THE FOLLOWING WORDS OF WISDOM:

IF CAPITALISM COULD ADAPT PRODUCTION, NOT TO THE ACQUISITION OF THE MAXIMUM OF PROFITS, BUT TO THE SYSTEMATIC IMPROVEMENT OF THE MATERIAL CONDITIONS OF THE MASS OF THE PEOPLE, IF IT COULD EMPLOY ITS PROFITS, NOT IN SATISFYING THE WHIMS OF THE PARASITIC CLASSES, NOT IN PERFECTING METHODS OF EXPLOITATION, NOT IN EXPORTING CAPITAL, BUT IN THE SYSTEMATIC IMPROVEMENT OF THE MATERIAL CONDITIONS OF THE WORKERS AND PEASANTS, THEN THERE WOULD BE NO CRISIS. BUT THEN, ALSO, CAPITALISM WOULD NOT BE CAPITALISM. IN ORDER TO ABOLISH CRISES, CAPITALISM MUST BE ABOLISHED. (JOSEPH STALIN, LENINISM, INTERNATIONAL PUBLISHERS, VOL. II, p. 253)

## AMERICAN IMPERIALISM AND KEYNESISM

IN THE UNITED STATES, KEYNESISM TOOK EARLY ROOT AND HAS PLAYED AN IMPORTANT POLITICAL ROLE. IN THE ECONOMIC CRISIS OF 1921, THE PRESIDENT'S COMMISSION ON UNEMPLOYMENT PROPOSED A PROGRAM OF PUBLIC WORKS TO COMBAT JOBLESSNESS. DURING THE LATTER 1920'S NUMEROUS ECONOMISTS, AMONG THEM TUGWELL (INDUSTRY'S COMING OF AGE) AND FOSTER AND CATCHINGS(BUSINESS WITHOUT A BUYER AND THE ROAD TO PLENTY), ALARMED AT THE FAILURE OF CONSUMPTION TO KEEP PACE WITH PRODUCTION, WERE ALREADY ADVOCATING THE ORGANIZED STRENGTHENING, THROUGH GOVERNMENT FINANCING, OF THE AMERICAN PEOPLE'S PURCHASING POWER. BUT IT WAS ONLY AFTER THE ELECTION OF ROOSEVELT IN NOVEMBER, 1932, DURING THE PERIOD OF THE LOWEST POINT OF THE GREAT WORLD ECONOMIC CRISIS, THAT WHAT LATER CAME TO BE CALLED KEYNESISM BEGAN TO HAVE A REAL PART IN THE ECONOMIC AND POLITICAL LIFE OF THIS COUNTRY.

ROOSEVELT'S NEW DEAL, ALTHOUGH IT HAD ITS OWN SPECIAL ASPECTS, HAD MANY CHARACTERISTIC KEYNESIAN FEATURES. IT WAS A DEFINITE ATTEMPT, THROUGH GOVERNMENT FINANCING, TO OVERCOME THE "DEFLATIONARY GAP" BETWEEN PRODUCTION AND CONSUMPTION. KEYNES, WHO BOTH WROTE TO AND VISITED ROOSEVELT AT THE OUTSET OF THE NEW DEAL, WAS CRITICAL OF THE PRESIDENT AND OF MANY POINTS IN HIS PROGRAM(KEYNES, HIMSELF HAD NOT YET FINALLY FORMULATED HIS OWN IDEAS). ONE OF THE MORE STRIKING DIFFERENCES BETWEEN THE NEW DEAL AND THE LATER CHARACTERISTIC KEYNESIAN PROGRAM WAS THE FAR GREAT STRESS THAT ROOSEVELT PUT UPON INCREASING THE REAL WAGES OF THE WORKERS. IT WAS THIS THAT LED ROOSEVELT TO SUPPORT THE BUILDING OF A POWERFUL TRADE UNION MOVEMENT, WHICH, IN CONSEQUENCE, ATTRACTED TO HIM THE UNDYING HATRED OF THE BIG CAPITALISTS. OTHER AMERICAN KEYNESIANS SHARE THE ROOSEVELT-WALLACE POSITION REGARDING THE WAGE QUESTION, AS AGAINST THAT OF KEYNES. THUS KENNETH MAY, REVIEWING ALVIN H. HANSEN'S NEW BOOK, ECONOMIC POLICY AND FULL EMPLOYMENT, SAYS:

HANSEN REJECTS THE ORTHODOX AXIOM THAT INCREASED EMPLOYMENT IMPLIES LOWER REAL WAGES—AN AXIOM SPECIFICALLY ACCEPTED BY KEYNES IN HIS GENERAL THEORY. HE ADVOCATES INCREASING REAL WAGES BASED ON INCREASING PRODUCTIVITY.....  
(SCIENCE AND SOCIETY, FALL 1947, P. 377)

KEYNESIM — ROOSEVELT STYLE — DID NOT SUCCEED IN LIQUIDATING THE GREAT AMERICAN ECONOMIC CRISIS OF THE 1930'S. IT DID, HOWEVER, WITH ITS VAST MAKE-WORK PROJECTS AND GOVERNMENT INSPIRED INVESTMENT PROGRAM, SOMEWHAT MITIGATE THE ECONOMIC SITUATION AND SOMEWHAT EASE THE POSITION OF THE PREVIOUSLY HALF-STARVED UNEMPLOYED WORKERS. BUT THE DEPRESSION LINGERED ON, IN SPITE OF ROOSEVELT'S \$25 BILLION SPENT IN "PUMP-PRIMING," SO THAT ON THE EVE OF WORLD WAR II, THERE STILL REMAINED IN THE UNITED STATES THE GIGANTIC TOTAL OF 10,000,000 UNEMPLOYED. NOR, WITH PREVAILING POLICIES, WAS THERE ANY PROSPECT OF A SERIOUS IMPROVEMENT IN THE SITUATION. IT WAS ONLY WITH THE OUTBREAK OF THE WAR, WITH ITS BOUNDLESS ASSURED MARKETS FOR GOODS, THAT GAVE THE STRICKEN AMERICAN INDUSTRY A NEW SHOT IN THE ARM.

WHY DID AMERICAN CAPITALISM TURN TO THE NEW DEAL-KEYNESIAN LINE TO FIND A WAY OUT OF THE ECONOMIC CRISIS, INSTEAD OF TAKING THE PATH OF GERMAN CAPITALISM TO FASCISM AND WAR? THE ANSWER TO THIS IMPORTANT QUESTION LIES IN THE DIFFERENT RESPECTIVE POSITIONS OF GERMAN AND AMERICAN IMPERIALISM AT THE TIME. GERMAN MONOPOLY, WITH BUT LITTLE SURPLUS CAPITAL AVAILABLE, BOUND UP BY RIGID VERSAILLES PEACE TREATY TERMS, CONFRONTING A RESTLESS WORKING CLASS, AND HEDGED ABOUT BY OTHER EUROPEAN POWERS, SOUGHT TO CUT ITS WAY OUT OF THE ECONOMIC CRISIS AND ALL ITS POLITICAL DIFFICULTIES BY BUILDING GREAT ARMED FORCES AND EMBARKING UPON A PROGRAM OF IMPERIALIST EXPANSION, WORLD DOMINATION, AND WAR. THE AMERICAN MONOPOLISTS, ON THE OTHER HAND, HAD NO SUCH COMPELLING PRESSURES IN THE GREAT ECONOMIC CRISIS. THEIR PROBLEMS WERE MORE EXCLUSIVELY ECONOMIC. THEY HAD AT THEIR DISPOSAL VAST FINANCIAL RESOURCES, WHICH MADE IT POSSIBLE TO APPLY THE HUGE "PUMP-PRIMING" PROGRAM OF ROOSEVELT. IT IS A FACT, HOWEVER, THAT MANY BIG CAPITALISTS IN THE UNITED STATES CLEARLY PREFERRED A FASCIST ORIENTATION INSTEAD. INDEED, THE ORIGINAL NATIONAL RECOVERY ACT, WITH ITS NUMEROUS INDUSTRIAL CODES, WAS DEVELOPED BY THE UNITED STATES CHAMBER OF COMMERCE AND DEFINITELY HAD A FASCIST ODOR ABOUT IT. BUT THESE EARLY FASCIST TRENDS UNDER THE NEW

DEAL REGIME WERE SOON DROWNED OUT BY ROOSEVELT'S TREMENDOUS DEMOCRATIC MASS SUPPORT. SO, IN SPITE OF THE STIFF OPPOSITION OF BIG CAPITAL, THE GREAT NEW DEAL EXPERIMENT WENT ON. THE "EFFICACY" OF KEYNESIsm IN BASICALLY SOLVING THE DIFFICULTIES OF CAPITALISM CAN BEST BE JUDGED BY THE PRESENT ECONOMIC PLIGHT OF GREAT BRITAIN, THE HOMELAND OF KEYNESIsm.

AT THE PRESENT TIME, AFTER THE VICTORIOUS OUTCOME OF THE WAR, AMERICAN IMPERIALISM HAS EMBARKED UPON A RUTHLESS CAMPAIGN TO REDUCE THE WORLD TO ITS SWAY. SWOLLEN AND BLOATED INDUSTRIALLY FROM THE TWO WORLD WARS, AND WITH THE REST OF THE WORLD IMPOVERISHED, THE UNITED STATES IS NOW EXPERIENCING AN UNPRECEDENTED ORGY OF ARTIFICIAL WAR-FED "PROSPERITY." IN THIS SITUATION THE GREAT FINANCIAL LEADERS HAVE ONLY CONTEMPT AND HATRED FOR THE ROOSEVELT-WALLACE BRAND OF KEYNESIsm. THEIR MAIN SLOGAN IS FOR "FREE ENTERPRISE," WHICH MEANS THE RIGHT TO DO AS THEY PLEASE, AND THEY ARE TRAVELING HELL-BENT ALONG THE PATH THAT LEADS TO ECONOMIC CHAOS, FASCISM, AND WAR.

NEVERTHELESS, EVEN IN THE MIDST OF THEIR BOOM-PRODUCED INFLATION AND IDEOLOGICAL DRUNKENNESS, THE FINANCIAL MOGULS AND THEIR STOOGE ECONOMISTS HAVE NOT ENTIRELY FORGOTTEN THE LESSON TAUGHT THEM BY KEYNES. THEY INCREASINGLY REALIZE THAT SAY'S LAW OF MARKETS IS INVALID AND THAT MONOPOLY CAPITALISM INEVITABLY PRODUCES MASS UNEMPLOYMENT AND ECONOMIC CRISES ON AN EXPANDING SCALE. BUT THEY ARE ALSO QUITE CONVINCED, NEVERTHELESS, THAT THEY CAN MASTER THE INDUSTRIAL CRASH THAT WILL EVENTUALLY OCCUR, NOT BY INTRODUCING KEYNESIAN REMEDIES OF USEFUL PUBLIC WORKS, SOCIAL SECURITY, ETC., BUT BY MAINTAINING LARGE ARMIES OF UNEMPLOYED WORKERS ON THE DOLE AS A CLUB OVER ORGANIZED LABOR, BY MAKING HUGE EXPENDITURES FOR A BIG MILITARY ESTABLISHMENT, BY A GIANTIC EXPORT OF CAPITAL ON RUTHLESS IMPERIALIST TERMS, BY CARRYING ON A MILITANT PROGRAM OF IMPERIALIST EXPANSIONISM, AND BY IRON REPRESSION OF ALL DEMOCRATIC OPPPOSITION WITH FASCIST DEMAGOGY AND TERRORISM.

MANY KEYNESIANS, INCLUDING CHESTER BOWLES, ROBERT NATHAN, LEON HENDERSON, AND THE A.D.A. CROWD GENERALLY, ARE TROTTING ALONG IN THE TRAIN OF THE IMPERIALIST, WAR-MINDED BIG-CAPITALISTS. THEY ARE ENDORSING THE MARSHALL PLAN, APPAUDING ATOM-BOMB DIPLOMACY, FALLING INTO STEP WITH WALL STREET'S RED-BAITING AND SOVIET-HATING CAMP-AIGN, AND ARE CONDONING BY THEIR SILENCE THE INSOLENT FASCIST-LIKE CAMPAIGN OF WAR-MONGERING. UNFORTUNATELY, THIS SHAMEFUL FACT IS TRUE, NOT ONLY OF MANY OF THE KEYNESIAN PROFESSORS IN THE COLLEGES, BUT ALSO OF THE DOMINANT KEYNES-MINDED TRADEUNION LEADERSHIP IN THE A.F. OF L., THE C.I.O., AND THE RAILROAD BROTHERHOODS. AS FOR THE RIGHT-WING SOCIAL-DEMOCRATIC KEYNESIANS, THEY HAVE BECOME THE BELL-WETHERS FOR WORLD WAR III. AS FOR THE TRUMAN ADMINISTRATION, IT HAS LONG AGO ABANDONED THE LAST REMNANT OF ROOSEVELT'S LIBERAL KEYNESIsm AND HAS BECOME THE OBEDIANT SERVANT OF WALL ST. IN SHORT - A FACT WHICH DOES NOT SURPRISE MARXISTS - THE BULK OF THE LEADERSHIP OF THE KEYNESIANS IS NOW SHOWING ITSELF TO BE IMPERIALIST, BOTH POLITICALLY AND ECONOMICALLY IT IS NOT REAL BARRIER TO THE CATASTROPHIC COURSE OF AMERICAN IMPERIALISM AND IS QUITE UNABLE TO "SAVE" CAPITALISM IN THIS MOST CRUCIAL PERIOD.

#### \*\*\*\*\* THE COMMUNISTS AND THE KEYNESIANS

WHEN THE COMING ECONOMIC CRISIS EVENTUALLY HITS THE UNITED STATES AND MASS UNEMPLOYMENT AGAIN PREVAILS, WE MAY BE SURE THERE WILL BE A BIG RESURGENCE OF INTEREST IN THE KEYNESIAN "PANACEA" FOR UNEMPLOYMENT. IT IS NECESSARY, THEREFORE, THAT THE COMMUNIST PARTY DEVELOP A MUCH MORE PRECISE EVALUATION OF KEYNESIsm, BOTH IN A THEORETICAL AND PRACTICAL SENSE, THAN IT HAS HAD TO DATE. UNDER THE BROWDER REGIME IN OUR PARTY ONLY THE SKETCHIEST ANALYSES, AND THESE VERY FAULTY, WERE MADE OF THE ROOSEVELT NEW DEAL, THE AMERICAN EXPRESSION OF KEYNESIsm. THE PARTY TENDENCY THEN WAS RATHER TO TRAIL ALONG AFTER ROOSEVELT, WITH LITTLE MARXIST CRITICISM AND WITH FEW POLICIES OF OUR OWN TO PROPOSE. A MAJOR EXPLANATION FOR THIS SITUATION WAS THAT BROWDER HIMSELF, LIKE SO MANY TRADE UNION AND SOCIAL DEMOCRATIC LEADERS, FELL VICTIM TO THE ILLUSIONS OF KEYNESIsm. HE CAME TO BELIEVE (AND STILL DOES) THAT AMERICAN IMPERIALISM IS ESSENTIALLY PROGRESSIVE, AND HE WOUND UP BY THROWING MARXISM OVERBOARD AND ATTEMPTING THE LIQUIDATION OF THE COMMUNIST PARTY.

DURING THE TWO AND A HALF YEARS SINCE BROWDER WAS EXPELLED SOME PROGRESS HAS BEEN MADE IN THE UNITED STATES TOWARD ACHIEVING A MORE SATISFACTORY MARXIAN ANALYSIS OF KEYNESISM. BUT WHAT HAS BEEN DONE IS ONLY A START; THERE MUST BE A FAR MORE COMPREHENSIVE SURVEY OF THE WHOLE BODY OF KEYNESIAN THEORY AND PRACTICE. THIS IS ALL THE MORE URGENT IN VIEW OF THE FACT THAT, IN THE MAIN, THE LEADERS AND LARGE MASSES OF THE LABOR MOVEMENT OF THIS COUNTRY HAVE A KEYNESIAN VIEWPOINT. TO DEVELOP A FUNDAMENTAL ANALYSIS OF KEYNESISM, THEREFORE, WILL BE ONE OF THE FITTING MARXIAN THEORETICAL TASKS FOR THE OBSERVATION OF THE HUNDREDTH ANNIVERSARY OF THE COMMUNIST MANIFESTO.

FIRST, WITH REGARD TO THE MARXIAN POSITION TOWARD THE PRACTICAL PROGRAM OF KEYNESISM: AS WE HAVE SEEN ABOVE, KEYNESIANS, IN THEIR MOVES AGAINST MASS UNEMPLOYMENT, WHILE ADVANCING MEASURES THAT COMMUNISTS FUNDAMENTALLY DISAGREE WITH, ALSO PROPOSE VARIOUS VALUABLE REFORMS. THIS WAS CLEARLY SEEN UNDER THE ROOSEVELT REGIME, WHEN THE WORKERS, NEGROES, FARMERS, AND OTHER DEMOCRATIC STRATA, MADE VERY SUBSTANTIAL POLITICAL PROGRESS AND WON MANY ECONOMIC AND LEGISLATIVE CONCESSIONS FROM THE CAPITALIST EXPLOITERS AND OPPRESSORS. BUT, AS WE HAVE ALSO POINTED OUT, SUCH KEYNESIAN REFORMS ARE BY NO MEANS CAPABLE, BY THEMSELVES OF SUCCESSFULLY ERADICATING MASS UNEMPLOYMENT. HENCE, WHILE SUPPORTING WHAT IS VALID IN THE KEYNESIAN PROPOSALS, MARXISTS MUST UNHESITATINGLY COME FORWARD WITH THE MORE FUNDAMENTAL MEASURES WHICH ARE NECESSARY AND AT WHICH KEYNESIANS BALK. AS CAPITALISM SINKS DEEPER IN ITS GENERAL CRISIS, THE REALIZATION OF SUCH BASIC PROPOSALS AS THE NATIONALIZATION OF INDUSTRY AND THE ACHIEVEMENT OF POLITICAL POWER BY THE WORKERS AND THE OTHER DEMOCRATIC MASSES WILL BECOME MORE AND MORE URGENT. WE COMMUNISTS SHOULD UTILIZE EVERY POSSIBILITY TO COOPERATE ON A UNITED FRONT BASIS WITH KEYNESIANS IN THE FIGHT FOR PEACE, IN THE DEFENSE OF CIVIL LIBERTIES, AND IN THE PROTECTION OF THE WORKERS' LIVING STANDARDS. THIS DOES NOT MEAN, HOWEVER, THAT WE HAVE TO ACCEPT THEIR ERRONEOUS ECONOMIC THEORIES. A MARXIAN PROGRAM OF IMMEDIATE DEMANDS IN THE PRESENT STATE OF CAPITALISM MUST NECESSARILY GO FAR BEYOND THE PROPOSALS OF THE KEYNESIANS.

SECONDLY, WITH REGARD TO KEYNESIAN THEORY AND OUR ATTITUDE TOWARD IT: KEYNESISM IS NOW BEING BOLDLY PUT FORWARD AS A SUBSTITUTE FOR MARXISM-LENINISM. KEYNESIANS CONFIDENTLY ASSERT THAT BY THEIR POLICIES THEY CAN CURE THE CONTRADICTIONS OF CAPITALISM, ABOLISH MASS UNEMPLOYMENT, AVERT CYCLICAL CRISES, AND START CAPITALISM UPON AN ENDLESS UPWARD SPIRAL OF PROGRESSIVE DEVELOPMENT. THEY SCORNFULLY BRUSH ASIDE MARXISM, WITH ITS SOCIALIST PERSPECTIVE, AS OBSOLETE AND HARMFUL, AND THEY BOAST THAT THEY ARE WINNING MARXIAN INTELLECTUALS TO THEIR SIDE. THEY ARE ESPECIALLY ENTHUSIASTIC SUPPORTERS OF THEORIES OF "AMERICAN EXCEPTIONALISM," THAT IS, OF THE NOTION THAT AMERICAN CAPITALISM, UNLIKE THE CAPITALISM OF OTHER COUNTRIES, IS PROGRESSIVE AND CAN REJUVENATE WORLD CAPITALISM. TO REALIZE THAT THE KEYNESIANS' GENERAL ANTI-MARXIST LINE HAS NOT BEEN WITHOUT EFFECT AMONG THE MASSES, ALL ONE HAS TO DO IS TO OBSERVE THE SUCCESS THE KEYNESIANS HAVE HAD IN SHAPING THE PRESENT IDEOLOGY OF THE AMERICAN WORKING CLASS. ROOSEVELT, DURING THE LONG ECONOMIC CRISIS, WON THE AMERICAN LABOR MOVEMENT OFFICIALLY TO THE BELIEF THAT CAPITALISM, WITH A LITTLE KEYNESIAN TINKERING, COULD BE MADE INTO A PERMANENTLY GOING CONCERN.

WE COMMUNISTS MUST TAKE UP THE CUDGELS ENERGETICALLY AGAINST ALL THE KEYNESIAN THEORETICAL NONSENSE. WE MUST ANALYZE AND EXPOSE THE ECONOMIC AND POLITICAL FALACIES OF KEYNESISM. THE ILLUSIONS OF KEYNESISM DISARM THE WORKERS IDEOLOGICALLY AND EXPOSE THEM TO THE PROPAGANDA OF THE EMPLOYERS IN THIS VERY COMPLEX NATIONAL AND WORLD SITUATION. WE MUST, THEREFORE, COUNTER THE KEYNESIAN THEORETICAL ERRORS BY A STRONG EXPOSITION OF MARXISM IN ALL ITS IMPLICATIONS. ONE OF THE MOST URGENT MASS EDUCATIONAL TASKS WE NOW HAVE BEFORE US IS PRECISELY TO LIQUIDATE KEYNESIAN MISCONCEPTIONS AND TO GIVE THE WORKERS AND THEIR LEADERSHIP AT LEAST AN ELEMENTARY UNDERSTANDING OF MARXIST-LENINIST FUNDAMENTALS. TODAY ONLY A MARXIST LEADERSHIP CAN LEAD THE WORKERS EFFECTIVELY, EVEN IN THE DAILY STRUGGLES OF THE TRADE UNIONS FOR BREAD. IN THE EXISTING DIFFICULT CONDITIONS CAUSED BY DECAYING WORLD CAPITALISM, THE PRESENT CAPITALIST-MINDED, KEYNESIAN-MINDED LABOR LEADERS, IF UNCORRECTED BY A STRONG GROWTH OF MASS MARXIST SENTIMENT, COULD ONLY LEAD THE WORKING CLASS EVENTUALLY INTO THE DITCH.

MARX AGAINST KEYNES  
A REPLY TO MR. MORRISON'S SOCIALISM

BY JOHN EATON

SOCIAL FOUNDATIONS OF KEYNESIAN THEORY

THE SHARP CONTROVERSIES THAT TOOK PLACE BETWEEN THE KEYNESIAN THEORY AND THE BOURGEOIS ORTHODOXY BEFORE KEYNES' DAY SHOULD NOT BE MISUNDERSTOOD. BOURGEOIS THEORY WAS IN CRISIS AND WAS RAPIDLY BECOMING DISCREDITED. THE ARROGANT LIES WITH WHICH CAPITALISM IN ITS HEYDAY HAD BEEN CHAMPIONED, HAD BEEN SHOWN UP BY THE MARCH OF EVENTS. KEYNES CAME IN, NOT TO DESTROY BOURGEOIS THEORY, BUT TO SAVE WHAT COULD BE SAVED FROM THE WRECKAGE. HE WAS NOT REVOLTING AGAINST BOURGEOIS THEORY IN GENERAL, BUT ONLY AGAINST THAT FORM OF BOURGEOIS THEORY WHICH HAD WELL SERVED THE NEEDS OF THE CAPITALISTS IN THE 19TH CENTURY, BUT WHICH NO LONGER SERVED THEM SO WELL IN THE PERIOD OF MONOPOLY CAPITALISM. THE SOCIAL FOUNDATION OF KEYNESIAN THEORY IS MONOPOLY CAPITALISM IN DECAY.

EVENTS HAD SHATTERED THE OPTIMISM OF THE OLD BOURGEOIS DOCTRINES WHICH TAUGHT HOW THE FREE PLAY OF THE MARKET PRODUCED THE MAXIMUM OF SOCIAL WELLBEING. AS CAPITALISM PASSED INTO ITS PERIOD OF DECLINE, NEW THEORIES, BETTER ADAPTED TO THE NEEDS OF CAPITALISM IN ITS IMPERIALIST STAGE, WERE BORN OUT OF THE PROFOUND CRISIS THAT OCCURRED IN BOURGEOIS ECONOMIC THOUGHT AS ITS OLD FAITH IN COMPETITIVE CAPITALISM CRUMBLED. (PP. 10-11)

WHAT KEYNES SAYS

KEYNESIAN THEORY CANNOT BE UNDERSTOOD UNLESS ONE RECOGNIZES WHAT IS NOT NEW IN IT AS WELL AS WHAT IS NEW. IT IS TRUE THAT KEYNES' GENERAL THEORY HAS TRANSFORMED BOURGEOIS ECONOMICS. THERE IS NOT A UNIVERSITY NOR A PROFESSOR OF ECONOMICS THAT HAS REMAINED UNTouched BY HIS DOCTRINE; BUT KEYNESIAN THEORY IS NOT, AS SOME BRIGHT YOUNG MEN OF THE LABOUR MOVEMENT WOULD HAVE US BELIEVE, A COMPLETE NEW BODY OF ECONOMIC DOCTRINE. ON FUNDAMENTALS IT IS IN FULL HARMONY WITH THE BOURGEOIS ORTHODOXY WHICH PRECEDED KEYNES (WHICH KEYNES SPEAKS OF AS "THE CLASSICAL ECONOMICS.")

...THE ESSENTIALLY NEW FEATURE OF KEYNESIAN THEORY AS AGAINST OTHER BOURGEOIS THEORY WAS HIS CONTENTION THAT THE CAPITALIST SYSTEM, IF LEFT TO ITSELF, DOES NOT NECESSARILY LEAD TO FULL EMPLOYMENT.

BOURGEOIS ECONOMISTS BEFORE KEYNES HAD ARGUED THAT UNEMPLOYMENT, IDLE CAPACITY, ETC. MUST ALWAYS BE DUE TO ARTIFICIAL INTERFERENCE WITH THE LAWS OF THE MARKET (BY, FOR EXAMPLE, TRADE UNION ACTION FORCING UP THE PRICE OF LABOUR OR MONOPOLIES FORCING UP THE PRICE OF GOODS). THE PRE-KEYNESIANS ARGUED THAT EVERY PRODUCT THAT WENT TO MARKET CREATED A PURCHASING POWER CORRESPONDING TO ITS VALUE, SINCE PRODUCTION COSTS AND OTHER INCOMES GENERATED IN THE PROCESSES OF PRODUCTION AND DISTRIBUTION (WAGES, COSTS OF MATERIALS, RENT, INTEREST, SALARIES, PROFITS, ETC.) EXACTLY EQUALLED THE TOTAL VALUE OF THE PRODUCT SOLD (THIS DOCTRINE IS GENERALLY KNOWN AS 'SAY'S LAW.') UNEMPLOYMENT AND IDLE CAPACITY COULD ONLY BE DUE TO FRICTION IN THE ECONOMIC SYSTEM PREVENTING THE PRICE OF LABOUR POWER, ETC. FROM FINDING THE PROPER LEVEL AT WHICH ALL LABOUR AND ALL CAPACITY WOULD BE EMPLOYED.

KEYNES CRITICISED EMPLOYMENT THEORY OF ORTHODOX ECONOMISTS.

KEYNES OPPOSED THE VIEW THAT THE CAPITALIST SYSTEM NECESSARILY GENERATED ENOUGH PURCHASING POWER, OR AS HE PUT IT, ENOUGH EFFECTIVE DEMAND (MEANING EFFECTIVELY USED PURCHASING POWER) TO KEEP ALL FACTORS OF PRODUCTION EMPLOYED. HE ARGUED THAT THE WHOLE SYSTEM COULD FINALLY SETTLE DOWN ("REACH EQUILIBRIUM") AT ANY LEVEL OF EMPLOYMENT EVEN IF THERE WERE NO "FRICTIONS" OR TEMPORARY MALADJUSTMENTS. AS A LEADING AMERICAN DISCIPLE OF KEYNES PUTS IT, THE KEYNESIAN REVOLUTION "WAS SOLELY THE DEVELOPMENT OF A THEORY OF EFFECTIVE DEMAND, I.E. A THEORY OF THE DETERMINATION OF THE LEVEL OF OUTPUT AS A WHOLE." (KLEIN, THE KEYNESIAN REVOLUTION, MACMILLAN 1950, P. 56)

FROM THIS KEYNES WENT ON TO SAY, HOWEVER, THAT APPROPRIATE ACTION BY THE

IT IS AT THIS POINT THAT KEYNES COMES IN AND SAYS: "NO, THINGS DO NOT WORK OUT THIS WAY BECAUSE THE PUBLIC'S DESIRE TO SAVE HAS PRECIOUS LITTLE EFFECT ON THE RATE OF INTEREST. THE RATE OF INTEREST DEPENDS RATHER ON (A) THE FINANCIAL POLICY OF THE GOVERNMENT AND THE CENTRAL BANKS, WHOSE ACTIONS CAN FORCE THE RATE OF INTEREST UP OR DOWN AND IN SOME MEASURE DETERMINE THE AMOUNT OF MONEY THAT THE BANKS ARE IN A POSITION TO LEND AND (B) THE "LIQUIDITY PREFERENCE"\*\*\*\*\* OF THE PEOPLE WHO OWN CAPITAL.

#### KEYNES' CASE AGAINST LAISSEZ-FAIRE

IN ALL THIS, HOWEVER,- AND KEYNES IS QUITE EXPLICIT ON THIS POINT- THE PROFIT MOTIVE AND PRIVATE OWNERSHIP AND CONTROL OF INDUSTRY REMAIN. IN SHORT, KEYNESIAN THEORY REJECTS LAISSEZ-FAIRE ECONOMICS(WHICH ADVOCATED LEAVING EVERYTHING TO THE WORKINGS OF ECONOMIC LAWS.) IT ADMITS THAT CAPITALISM LEFT TO ITSELF LEADS TO UNEMPLOYMENT BUT PURPORTS TO SHOW WHY BY CERTAIN MEASURES OF STATE INTERVENTION CAPITALISM CAN BE SO ADJUSTED AS TO ELIMINATE UNEMPLOYMENT AND CRISIS. IT PURPORTS TO EXPLAIN:

1. WHY CAPITALISM IN THE PAST SUFFERED FROM CRISIS AND UNEMPLOYMENT
2. HOW CAPITALISM CAN BE ADJUSTED SO AS TO DO AWAY WITH CRISIS AND UNEMPLOYMENT
3. WHY STATE INTERFERENCE IS CALLED FOR

THIS BEING SO THE CAPITALIST SYSTEM IS NOT(AS THE CHAMPIONS OF BOURGEOIS ECONOMY HAD ALWAYS PREVIOUSLY MAINTAINED) A SYSTEM WHICH ADJUSTS ITSELF IN SUCH A WAY AS TO ENSURE FULL EMPLOYMENT. IT IS NOT TRUE, KEYNES MAINTAINS, THAT THE ECONOMIC FORCES IF LEFT TO THEMSELVES, WILL AUTOMATICALLY GENERATE AN EFFECTIVE DEMAND SUFFICIENT TO ABSORB THE OUTPUT OF INDUSTRY AT THE LEVEL OF FULL EMPLOYMENT.

THE FACT THAT PEOPLE ABSTAIN FROM SPENDING A CERTAIN AMOUNT OF INCOME ON CONSUMPTION DOES NOT IN ITSELF CREATE A CORRESPONDING NEW DEMAND FOR INVESTMENT GOODS. ON THE CONTRARY, TO SAVE DISCOURSES INVESTMENT, HE SAYS. IT CAUSES SLUGGISH MARKET CONDITIONS UNDER WHICH THERE IS NOT ANY INCENTIVE FOR THE CAPITALISTS TO EXPAND INVESTMENT EXPENDITURE. INVESTMENT IS UNLIKELY TO TAKE UP THE SLACK LEFT BY A REDUCTION OF CONSUMPTION EXPENDITURE DUE TO AN INCREASED DESIRE TO SAVE.

THE CONSEQUENCE IS, THEREFORE, THAT EFFECTIVE DEMAND FALLS OFF, PRICES FALL AND ECONOMIC ACTIVITY DIMINISHES; PROFITS FALL, AND WORKERS ARE SACRED. INCOMES ALL ROUND ARE REDUCED AND THE WHOLE ECONOMIC SYSTEM SETTLES DOWN AT A LOWER LEVEL, LEAVING GREAT NUMBERS OF WORKERS UNEMPLOYED.

THUS, ACCORDING TO KEYNES, IT IS NOT ONLY POSSIBLE BUT QUITE NORMAL THAT THE WHOLE SYSTEM SHOULD SETTLE DOWN AND "REACH EQUILIBRIUM" AT A POINT WHICH LEAVES MILLIONS OF WORKERS UNEMPLOYED.

KEYNES, INDEED, FURTHER EXTENDS THIS THEORY TO SAY THAT IN INDUSTRIALIZED COUNTRIES, BOTH THE "PROPENSITIES TO CONSUME" AND "INDUCEMENTS TO INVEST" DECREASE. IN THIS WAY THE THEORY PURPORTS TO EXPLAIN NOT ONLY THE REASONS FOR UNEMPLOYMENT BUT ALSO WHY (IN THE ABSENCE OF KEYNESIAN REMEDIES) ECONOMIC DISORGANIZATION INCREASES WITH ADVANCED INDUSTRIAL DEVELOPMENT.

SUMMARIZING WHAT HAS BEEN SAID ABOVE, WE MAY SAY THAT FOR KEYNES THE VILLAIN OF THE PIECE IS INVESTMENT EXPENDITURE. "THE THEORY," WRITES KEYNES, "CAN BE SUMMED UP BY SAYING THAT, GIVEN THE PSYCHOLOGY OF THE PUBLIC, THE LEVEL OF OUTPUT AND EMPLOYMENT AS A WHOLE DEPENDS ON THE AMOUNT OF INVESTMENT."(KEYNES IN QUATERLY JOURNAL OF ECONOMICS, QUOTED IN NEW ECONOMICS, P. 191).

#### THE KEYNESIAN REMEDIES FOR SLUMP

IT FOLLOWS FROM THIS LINE OF REASONING THAT TO MAINTAIN FULL OR HIGH EMPLOYMENT AND OUTPUT IT IS NECESSARY TO MAINTAIN INVESTMENT EXPENDITURE AT THE RIGHT LEVEL. IF THIS IS NOT DONE, ECONOMIC ACTIVITY FALLS, INCOMES PAID OUT IN THE FORM OF PROFITS AND THE WAGE BILL DWINDLE. IN SHORT, EFFECTIVE DEMAND IN THE FORM OF CONSUMPTION EXPENDITURE FALLS SHORT OF THE LEVEL NECESSARY TO MAINTAIN FULL EMPLOYMENT AND OUTPUT.

FULL EMPLOYMENT CAN, HOWEVER, BE MAINTAINED - SAYS KEYNES - IF THE STATE TAKES

GOVERNMENT AND CENTRAL BANKS COULD ENSURE THAT OUTPUT AND EMPLOYMENT WAS MAINTAINED AT A HIGH LEVEL (WITHOUT SUPERSEDING THE CAPITALIST FORM OF PRODUCTION).

THE ORTHODOX BOURGEOIS THEORIES WERE NOT, IN KEYNES' VIEW, FAR WRONG EXCEPT IN THIS MATTER OF THE LEVEL OF EMPLOYMENT. IF FULL EMPLOYMENT WERE ASSUMED THEN THEY WERE TRUE. THEY WERE TRUE FOR THE SPECIAL CASE OF FULL EMPLOYMENT, WHEREAS HIS THEORY HAD A WIDER GENERAL APPLICATION. (PP. 29 - 31)

#### THE KEYNESIAN THEORY OF EMPLOYMENT

THE KEYNESIAN THEORY OF EMPLOYMENT RUNS AS FOLLOWS: EXPENDITURE TAKES TWO FORMS - INVESTMENT EXPENDITURE, AND CONSUMPTION EXPENDITURE. THE LATTER DEPENDS UPON (I) INCOMES RECEIVED, COUPLED WITH (II) THE EXTENT TO WHICH THESE INCOMES ARE SPENT OR SAVED; FOR EXAMPLE, IF INCOMES TOTALLING, SAY, 10,000 MILLION (POUNDS) ARE PAID OUT AND OF THESE 90% IS SPENT ON CONSUMPTION AND 10% IS SAVED, EFFECTIVE DEMAND ARISING FROM CONSUMPTION EXPENDITURE IS 9,000 MILLION (POUNDS).

BUT, SAYS KEYNES, THE MERE FACT THAT PEOPLE AIM AT SAVING 10% OF THEIR INCOMES DOES NOT MEAN THAT THIS BALANCE OF "UNSPENT" OR "SAVED" INCOMES (1,000 MILLION (POUNDS) IN OUR EXAMPLE) IS FORTHWITH AND NECESSARILY SPENT ON INVESTMENT GOODS.

IN FACT, THE DECISION NOT TO SPEND INCOME ON CONSUMPTION IS QUITE SEPARATE AND DISTINCT FROM THE DECISION TO INCREASE EXPENDITURE ON CAPITAL EQUIPMENT, ETC. THIS LATTER DECISION IS TAKEN BY THE CAPITALIST OR CAPITALIST FIRM (OR TO USE KEYNES' WORD "THE ENTREPRENEUR"); AND IT IS TAKEN IN LIGHT OF THE PROSPECTS OF MAKING A PROFIT.

THE ESSENCE OF THE KEYNESIAN THEORY OF EMPLOYMENT IS THEN THIS: THE LEVEL OF EMPLOYMENT IS DETERMINED BY THE TOTAL, EFFECTIVE DEMAND, WHICH MEANS TOTAL PURCHASES OF CONSUMER GOODS PLUS INVESTMENT EXPENDITURE. IN SO FAR AS INCOME NOT SPENT ON CONSUMPTION FAILS TO BE MATCHED BY EXPENDITURE ON INVESTMENT GOODS, THERE IS A FALLING OFF OF TOTAL DEMAND AND THEREFORE OF OUTPUT AND EMPLOYMENT AS A WHOLE, WHICH, OF COURSE, BRINGS WITH IT A REDUCTION IN INCOMES. IN OUR EXAMPLE, TOTAL INCOME (APART FROM PRICE CHANGES) WILL DROP WELL BELOW 10,000 MILLION (POUNDS) IF THE DECISIONS TO SAVE ARE NOT MATCHED BY DECISIONS ON THE PART OF "ENTREPRENEURS" TO SPEND ON CAPITAL EQUIPMENT, ETC. AT LEAST AS MUCH AS THE INTENDED SAVINGS (NAMELY 1,000 MILLION IF 10% OF INCOMES WERE TO BE SAVED).

"GIVEN," SAY KEYNES, "WHAT WE SHALL CALL THE COMMUNITY'S PROPENSITY TO CONSUME, \*\*\* THE EQUILIBRIUM LEVEL OF EMPLOYMENT, I.E. THE LEVEL AT WHICH THERE IS NO INDUCEMENT TO EMPLOYERS AS A WHOLE EITHER TO EXPAND OR TO CONTRACT EMPLOYMENT, WILL DEPEND ON THE AMOUNT OF CURRENT INVESTMENT. THE AMOUNT OF CURRENT INVESTMENT WILL DEPEND, IN TURN, ON WHAT WE SHALL CALL THE INDUCEMENT TO INVEST; AND THE INDUCEMENT TO INVEST WILL BE FOUND TO DEPEND ON THE RELATION BETWEEN THE SCHEDULE OF THE MARGINAL EFFICIENCY\*\*\* OF CAPITAL AND THE COMPLEX OF RATES OF INTEREST ON LOANS OF THE VARIOUS MATURITIES AND RISKS." (GENERAL THEORY, PP27-28)

#### INVESTMENTS AND SAVINGS

THE DECISION TO INVEST OR NOT TO INVEST DEPENDS UPON WHETHER OR NOT THERE IS A PROSPECT OF MAKING A PROFIT AND THIS DEPENDS, SAYS KEYNES, ON THE RELATION BETWEEN THE RATE OF INTEREST AND THE RETURNS WHICH THE CAPITALIST EXPECTS FROM HIS INVESTMENT OF CAPITAL.

FOR EXAMPLE, BY SPENDING 1,000 (POUNDS) ON INSTALLING NEW MACHINERY A CAPITALIST EXPECTS TO INCREASE OUTPUT FROM WHICH HE FORECASTS THAT HE WILL COLLECT ADDITIONAL PROFITS (AFTER ALLOWING FOR DEPRECIATION, ETC.) AMOUNTING TO 80 POUNDS PER ANNUM; IF HE CAN BORROW 1,000 POUNDS AT A RATE OF INTEREST OF 3% (I.E. FOR 30 POUNDS PER ANNUM) HE SEEKS A CLEAR PROFIT OF 50 POUNDS (80 - 30) AND WILL MAKE THE INVESTMENT. IF HOWEVER, THE RATE OF INTEREST GOES UP AND THE EXPECTED YIELD ("THE MARGINAL EFFICIENCY OF CAPITAL") GOES DOWN, THEN THE MARGIN OF PROFIT NARROWS OR VANISHES AWAY, AND SO THE INVESTMENT IS NOT MADE.

THE ORTHODOX CAPITALIST ECONOMISTS BEFORE KEYNES DID NOT BROADLY SPEAKING DISAGREE WITH THIS LINE OF ARGUMENT BUT MAINTAINED THAT IF THE DESIRE TO SAVE INCREASED, THE SUPPLY OF MONEY TO BE LENT WOULD INCREASE AND SO THE CHARGE FOR LENDING IT (THE RATE OF INTEREST) WOULD FALL. THE FALL OF THE RATE OF INTEREST WOULD, THEY ARGUED, ENCOURAGE INVESTMENT AND SO ALL WOULD BE WELL - WITH EVERY INCREASE IN THE DESIRE TO SAVE THERE WOULD BE A CORRESPONDING INCREASE IN INVESTMENT.

SPECIAL STEPS TO KEEP INVESTMENT EXPENDITURE AT THE RIGHT LEVEL; THIS, HE SAYS, IT MAY DO BY (A) CONTROLLING THE RATE OF INTEREST; (B) ITSELF UNDERTAKING INVESTMENT OR PUBLIC WORKS EXPENDITURE; (C) EXERCISING SOME GENERAL CONTROL - ABOUT WHICH KEYNES IS NOWHERE VERY PRECISE - OVER ALL FORMS OF INVESTMENT.

KEYNES AND KEYNESIANS ALSO ADVOCATE MEASURES DESIGNED TO INCREASE THE "PROPENSITY TO CONSUME." THESE MEASURES INCLUDE (I) INCREASING PURCHASING POWER (E.G. PAYMENT OF POST-WAR CREDITS) AND (II) TAXATION DESIGNED TO REDISTRIBUTE INCOMES IN FAVOR OF THE LOWER INCOME GROUPS (WHO SAVE LESS). HOWEVER, THE EMPHASIS ON THIS SECOND GROUP OF REMEDIES IS LESS MARKED. (PP. 33-99)

#### WHY KEYNES IS WRONG

"VULGAR ECONOMY REALLY DOES NOTHING ELSE," WRITES MARX, "BUT TO INTERPRET IN DOCTRINAIRE FASHION THE IDEAS OF PERSONS ENTRAPPED IN CAPITALIST CONDITIONS OF PRODUCTION AND PERFORMING THE FUNCTION OF AGENTS IN SUCH PRODUCTION, TO SYSTEMATIZE AND DEFEND THESE IDEAS... SO LONG AS THE ORDINARY BRAIN ACCEPTS

THESE CONDITIONS, VULGAR ECONOMY IS SATISFIED. BUT ALL SCIENCE WOULD BE SUPERFLUOUS, IF THE APPEARANCE, THE FORM AND THE NATURE OF THINGS WERE WHOLLY IDENTICAL." (CAPITAL, VOL. III, P. 951).

ELSEWHERE HE SPEAKS OF VULGAR ECONOMY SEEKING "PLAUSIBLE EXPLANATIONS OF THE MOST OBTRUSIVE PHENOMENA FOR BOURGEOIS DAILY USE." (CAPITAL, VOL. I, P.53)

KEYNESIAN ECONOMICS MIGHT BE DESCRIBED AS THE "VULGAR ECONOMY" OF MONOPOLY CAPITALISM IN CRISIS AND DECAY. KEYNES ATTEMPTED TO "SYSTEMATIZE AND DEFEND" THE IDEAS OF THE BUSINESS EXECUTIVE AND THE STATE OFFICIAL, CONFRONTED WITH THE PROBLEMS OF FINANCIAL AND ECONOMIC CONTROLS, MASS UNEMPLOYMENT, WAR PRODUCTION, ALL THE PROBLEMS WITH WHICH MONOPOLY CAPITALISM IS FACED IN THE PERIOD OF THE GENERAL CRISIS OF CAPITALISM (\* HE HAD HIMSELF BEEN BOTH, AND KNEW FROM PERSONAL EXPERIENCE WHERE THE OLD BOURGEOIS THEORY FELL SHORT OF THE NEW REQUIREMENTS)

HE ATTEMPTED TO PROVIDE MORE PLAUSIBLE EXPLANATIONS FOR THE "MOST OBTRUSIVE PHENOMENA" OF MASS UNEMPLOYMENT AND ECONOMIC INTERVENTION BY THE STATE. BUT HIS ANALYSIS WAS NO MORE SCIENTIFIC THAN THAT OF THE BOURGEOIS ECONOMISTS WHO PRECEDED HIM; IT RETAINED THEIR SUPERFICIALITY; LIKE THEM IT FAILED TO PROBE THE ECONOMIC PROCESSES AND RELATIONSHIPS THAT LIE BELOW THE SURFACE APPEARANCES.

#### KEYNES AND EXPLOITATION

"IT MAY BE WELL TO INSIST," WRITES A LEADING KEYNESIAN,

"THAT KEYNES WAS ESSENTIALLY A DEFENDER OF CAPITALISM. ONLY THE STUPIDITY OF THOSE WHOM HE SUPPORTS CAN ACCOUNT FOR ANY OTHER INTERPRETATION... AND ABOVE ALL, KEYNES WOULD NOT REMOVE THE FOUNDATIONS OF CAPITALISM: FREE CHOICE, THE DRIVING FORCE OF THE QUEST FOR PROFITS, THE ALLOCATION OF RESOURCES IN RESPONSE TO THE PRICE INCENTIVE." (S.E. HARRIS IN NEW ECONOMICS PP. 5-6).

KEYNES HIMSELF SAID

"IF I AM GOING TO PURSUE SECTIONAL INTERESTS AT ALL, I SHALL PURSUE MY OWN. WHEN IT COMES TO THE CLASS STRUGGLE AS SUCH MY LOCAL AND PERSONAL PATRIOTISMS, LIKE THOSE OF EVERYONE ELSE, EXCEPT CERTAIN UNPLEASANT JEALOUS ONES, ARE ATTACHED TO MY SURROUNDINGS. I CAN BE INFLUENCED BY WHAT SEEMS TO ME TO BE JUSTICE OR GOOD SENSE BUT THE CLASS WAR WILL FIND ME ON THE SIDE OF THE EDUCATED BOURGEOISIE." (ESSAYS IN PERSUASION, 1931).

KEYNES BELIEVED IN CAPITALISM, AND HE USED THE TRADITIONAL BOURGEOIS DEFENCE OF CAPITALIST EXPLOITATION (WHICH HE DESCRIBED AS "ACCEPTED CLASSICAL THEORY."). HIS DIFFERENCES OF OPINION DID NOT RELATE TO THE BOURGEOIS THEORY IN SO FAR AS IT DISGUISED PRODUCTION FOR PROFIT AND EXPLOITATION. THEY RELATED RATHER TO THE MEANS BY WHICH THE MOST FAVOURABLE CONDITIONS FOR THE CONTINUANCE OF CAPITALIST EXPLOITATION COULD BE MAINTAINED.

"OUR CRITICISM," HE WRITES, "OF THE ACCEPTED CLASSICAL THEORY OF ECONOMICS

HAS CONSISTED NOT SO MUCH IN FINDING LOGICAL FLAWS IN ITS ANALYSIS AS IN POINTING OUT THAT ITS TACIT ASSUMPTIONS ARE SELDOM OR NEVER SATISFIED, WITH THE RESULT THAT IT CANNOT SOLVE THE ECONOMIC PROBLEMS OF THE ACTUAL WORLD. BUT IF OUR CENTRAL CONTROLS SUCCEED IN ESTABLISHING AN AGGREGATE VOLUME OF OUTPUT CORRESPONDING TO FULL EMPLOYMENT AS NEARLY AS IS PRACTICABLE, THE CLASSICAL THEORY COMES INTO ITS OWN AGAIN FROM THIS POINT ONWARDS. IF WE SUPPOSE THE VOLUME OF OUTPUT TO BE GIVEN, I.E. TO BE DETERMINED BY FORCES OUTSIDE THE CLASSICAL SCHEME OF THOUGHT, THEN THERE IS NO OBJECTION TO BE RAISED AGAINST THE CLASSICAL ANALYSIS OF THE MANNER IN WHICH PRIVATE SELF-INTEREST WILL DETERMINE WHAT IN PARTICULAR IS PRODUCED, IN WHICH PROPORTIONS THE FACTORS OF PRODUCTION WILL BE COMBINED TO PRODUCE IT, AND HOW THE VALUE OF THE FINAL PRODUCT WILL BE DISTRIBUTED BETWEEN THEM." (GENERAL THEORY, PP. 378-9)

HE THEN PROCEEDS TO DEFEND HIS OWN PROPOSALS "AS THE ONLY PRACTICABLE MEANS OF AVOIDING THE DESTRUCTION OF THE EXISTING ECONOMIC FORMS IN THEIR ENTIRETY." (P. 380)

KEYNES' "EXISTING ECONOMIC FORMS" ARE, OF COURSE, CAPITALIST PRODUCTION RELATIONS AND THERE CAN THEREFORE BE NO DOUBT AT ALL THAT CAPITALIST PRODUCTION FOR PROFIT IS A CENTRAL FEATURE OF THE KEYNESIAN SYSTEM.

#### CRISIS INHERENT IN PROFIT SYSTEM

KEYNES IN EFFECT ARGUES THAT THERE IS NO NECESSARY CONNECTION BETWEEN PRODUCTION FOR PROFIT AND ECONOMIC CRISIS. THE MARXIST STANDPOINT BY CONTRAST IS THAT ECONOMIC CRISIS IS INSEPARABLY BOUND UP WITH THE PROFIT SYSTEM.

THE BASIC CAUSE OF CRISIS IS THAT THE PERSONAL INCOMES RECEIVED BY THE MASSES OF THE PEOPLE ARE CONTINUALLY BEING REDUCED RELATIVELY TO THE EXPANSION OF PRODUCTION CAPACITY WHICH TAKES PLACE IN THE COURSE OF EVERY BOOM. THIS CONTRADICTION BETWEEN PRODUCTIVE CAPACITY AND PURCHASING POWER IS INHERENT IN THE CAPITALIST MODE OF PRODUCTION (KEYNES' "EXISTING ECONOMIC FORMS."). IT IS INHERENT IN PRODUCTION FOR PROFIT WHICH DRIVES EACH CAPITALIST TO CUT DOWN WAGES IN ORDER TO REDUCE COSTS AND TO ACCUMULATE RESERVES OUT OF PROFITS IN ORDER TO INCREASE HIS COMPETITIVE STRENGTH AND POWER TO FIGHT HIS RIVALS.

IN THE BOOM PHASE THE CONTRADICTION IS MASKED UNTIL IT WORKS ITSELF OUT THRU THE PERIOD OF TIME THAT MUST ELAPSE BETWEEN THE FIRST STEPS TO EXPAND CAPACITY AND THE LATER STAGE WHEN INCREASED SUPPLIES OF CONSUMERS' GOODS BEGIN TO BE POURED OUT FROM THE FACTORIES.

IN THE BOOM PHASE, THE INDUSTRIAL CAPITALIST WITH THE AID OF CREDIT IS CONTINUALLY EXPANDING HIS SCALE OF PRODUCTION; HE TURNS OVER A LARGER CAPITAL AND TRIES TO EXPAND IT AS RAPIDLY AS POSSIBLE USING CREDIT TO ENABLE HIM TO THROW MORE CAPITAL INTO USE THAN IS ACTUALLY COMING BACK TO HIM FROM THE SALE OF HIS GOODS.

PROSPERITY AND THE HOPES IT BRINGS OF PROFIT MAKE THE CAPITALIST ANXIOUS TO DEPLOY A BIGGER CAPITAL AND HE BORROW WHERE HE CAN TO ENLARGE IT AS WELL AS USING AS NEW CAPITAL AS MUCH AS POSSIBLE OF THE PROFITS HE MAKES ON HIS SALES.

IN THE SLUMP, EVERYTHING IS REVERSED. ALL HESITATE TO RISK THE MONEY THEY ARE LUCKY ENOUGH TO GET BACK FROM THE SALE OF THEIR GOODS, THE BANKS CUT OFF CREDIT, AND THE LEVEL AT WHICH CAPITAL IS TURNING OVER DROPS SHARPLY AND, OF COURSE, WITH IT THE PAYING OUT OF WAGES - AND DIVIDENDS.

EVEN IN THE PERIOD OF CAPITALISM'S MOST RAPID AND EXTENSIVE EXPANSION IN THE 19TH CENTURY, IT DEVELOPED NOT SMOOTHLY BUT THROUGH A SERIES OF BOOMS WHICH TURNED ALWAYS INTO CRISIS AND DEPRESSION. WITH THE FULL DEVELOPMENT OF CAPITALISM - IN DEPTH AND EXTENSION - IN EVERY PART OF THE WORLD, AND WHEN OUT OF COMPETITIVE INDUSTRIAL CAPITALISM CAPITALISM HAD ENTERED INTO ITS MONOPOLY STAGE, THE CONTRADICTIONS IN THE WHOLE SYSTEM BECAME FAR MORE ACUTE. THE STRUGGLE FOR MARKETS, FIELDS FOR INVESTMENT AND SPHERES OF INFLUENCE LED TO ARMED CONFLICT BETWEEN THE GREAT CAPITALIST POWERS IN THE COURSE OF WHICH ONE OF THEIR NUMBER WAS OVERTHROWN AND THE FIRST SOCIALIST STATE WAS ESTABLISHED.

FROM THIS POINT THE WHOLE POLITICAL AND ECONOMIC LIFE OF THE CAPITALIST WORLD BECAME PROFOUNDLY DISORGANISED. CAPITALISM WAS NO LONGER THE SOLE WORLD SYSTEM. IN THE COLONIES GREAT LIBERATION MOVEMENTS DEVELOPED. IN THE CAPITALIST COUNTRIES THE REVOLT OF THE WORKERS DEVELOPED ON A HITHERTO UNKNOWN SCALE. THE WHOLE STRUCTURE OF

THE CAPITALIST WORLD HAD CHANGED. EVERYWHERE IDLE CAPACITY. EVERYWHERE CHRONIC MASS UNEMPLOYMENT — NOT DISAPPEARING IN BOOMS BUT TERRIBLY ACCENTUATED IN SLUMPS. SUCH WAS THE GENERAL CRISIS OF THE CAPITALIST SYSTEM, IN THE COURSE OF WHICH KEYNES LIVED AND WROTE.

THE GREAT "DISCOVERY" OF KEYNES REALLY AMOUNTS TO NO MORE THAN THE OBSERVATION THAT THE GENERAL CRISIS OF CAPITALISM WOULD BE MORE TOLERABLE IF CAPITALISM COULD BE INDUCED TO REMAIN IN THE BOOM PHASE, COUPLED WITH THE OBSERVATION THAT IN THIS PHASE THE FACT THAT CONSUMPTION CANNOT ABSORB THE TOTAL OUTPUT OF INDUSTRY IS COMPENSATED BY INVESTMENT EXPENDITURE.

HE ARGUES, IN EFFECT, THAT IF INVESTMENT EXPENDITURE WENT ON AND ON, THEN EMPLOYMENT AND PROFITS COULD BE KEPT UP. IF BOOMS NEVER ENDED, WHO COULD DENY THAT THERE WOULD BE NO SLUMPS? BUT, ALAS, WITHIN THE PRODUCTION RELATIONS OF CAPITALISM, THE INVESTMENT EXPENDITURE IS NOT FOR ITS OWN SAKE, NOR FOR THE SAKE OF PRODUCING GOODS TO MEET MEN'S NEEDS, BUT FOR PROFIT. BUT THE REALISATION OF PROFIT IMPLIES ULTIMATELY THE PRODUCTION OF MORE CONSUMPTION GOODS AND THEIR SALE TO FINAL CONSUMERS.

IF THE CAPITALIST IS TO GET BACK THE CAPITAL HE HAS EXPENDED PRODUCTIVELY PLUS THE SURPLUS VALUE THAT HAS BEEN PRODUCED, THE VALUES EMBODIED IN HIS COMMODITIES MUST BE REALISED, HE MUST FIND A MARKET. IN THE INVESTMENT BOOM ONE CAPITALIST BUYS FROM ANOTHER AND ALL GOES MERRILY. BUT WHAT IS THE END OF IT? AS THE BOOM PROCEEDS, MORE PLANT AND EQUIPMENT IS INSTALLED, GREAT STOCKS OF RAW MATERIALS ARE PILED UP, THE PRODUCTIVE FORCES ARE GREATLY EXPANDED.

THE QUESTION IS HOW LONG CAN THIS EXPANSION GO ON. SO LONG, ONE MAY ANSWER, AS THE VALUES EMBODIED IN THE PLANT AND IN THE RAW MATERIALS MAY BE REALISED; AND THIS IN ITS TURN DEPENDS UPON THE ABILITY OF THE PURCHASES OF THE RAW MATERIALS AND THE USER OF THE PLANT TO SELL HIS PRODUCT. THERE IS A CHAIN OF INTERMEDIATE MARKETS, ENDING IN THE ULTIMATE MARKET, THE FINAL CONSUMER. BUT IS IT THE MASSES OF THE PEOPLE, (EXPLOITED AND UNDERPAID SO THAT THE BIG CAPITALIST MAY MAKE THEIR BIG PROFITS) WHO CONSTITUTE THE BULK OF THE CONSUMERS.

THE VERY PROCESS THAT EXPANDS THE MEANS OF SUPPLYING THESE ULTIMATE CONSUMERS RESTRICTS THEIR SHARE IN THE PRODUCTS. WHILST THE WAVE OF INCREASED PRODUCTION IS WORKING ITS WAY THROUGH THE PRELIMINARY STAGES OF PRODUCTION, THE BOOM SUSTAINS ITSELF. BUT THE BOOM PORTENDS A SPATE OF PRODUCTS FINALLY DESTINED FOR CONSUMPTION. THEN "OVER-PRODUCTION" BREAKS ITSELF AGAINST THE RESTRICTED PURCHASING POWER OF THE MASSES. SINCE THIS IS SO THE INVESTMENT BOOM CONTAINS WITHIN ITSELF THE SEED OF SLUMP KEYNES' REMEDY IS IN REALITY THE SOURCE OF INFECTIION; EVEN IF IT COULD BE APPLIED IT WOULD SIMPLY REPRODUCE THE ORIGINAL DISEASE IN MORE ACUTE FORM.

CAPITALISM IS A SYSTEM OF PRODUCTION FOR PROFIT. PRODUCTION IS ONLY EXPANDED WITH THE OBJECT OF ADDING TO SURPLUS VALUE (THAT IS, VALUES PRODUCED OVER AND ABOVE THE VALUES PAID OUT TO THE WORKERS). KEYNES POINTS TO THE GAP THERE IS BETWEEN THE GOODS FOR WHICH THERE IS "EFFECTIVE DEMAND" AND THE GOODS THAT WOULD BE PRODUCED WITH FULL EMPLOYMENT. STEP UP THE "EFFECTIVE DEMAND," HE SAYS, AND YOU WILL HAVE FULL EMPLOYMENT. BUT THE "EFFECTIVE DEMAND" ALWAYS DEPENDS IN THE END AND IN THE MAIN ON THE PURCHASING POWER OF THE MASS OF THE WORKERS WHOSE PURCHASING POWER MUST BE KEPT DOWN IN ORDER THAT THE CAPITALIST PROFITS MAY BE KEPT UP.

CAPITALISTS' DEMAND FOR MEANS OF PRODUCTION, THE KEYNESIAN MAY SAY, IS ALSO, "EFFECTIVE DEMAND." THAT IS SO; BUT THE CAPITALIST ONLY BUYS MEANS OF PRODUCTION IN ORDER TO SUPPLY A MARKET WHICH — HOWEVER LONG THE CHAIN OF THE MARKETS IN BETWEEN — ALWAYS DEPENDS ULTIMATELY ON THE CONSUMERS' MARKET, AND THEREFORE VERY LARGELY ON WORKERS' WAGES.

IF THE GAP IS TO BE FILLED BY PUBLIC EXPENDITURE BY THE STATE, AGAIN THE GAP REAPPEARS, BECAUSE PRODUCTION REMAINS PRODUCTION FOR PROFIT. MOREOVER THE COST OF WHAT THE STATE BUYS COMES ULTIMATELY FROM SQUEEZING THE MASSES OF THE PEOPLE (EITHER BY TAXATION OR RISING PRICES THAT RESULT FROM DEFICIT FINANCING). WHAT IT GIVES WITH ONE HAND, IT TAKES WITH THE OTHER.

IN A SYSTEM OF WHICH PROFIT IS THE MOTIVE POWER, THERE MUST ALWAYS BE THE "PROFIT GAP". THIS IS THE "GAP" THAT IS THE ROOT OF CRISIS. THE KEYNESIANS, TRY HOW THEY MAY, CANNOT KEEP PROFIT AS THE REGULATOR AND MOTIVE OF PRODUCTION AND REMOVE IT AS THE "GAP" THAT RESTRICTS "EFFECTIVE DEMAND."

BY CONTRAST, MARXIST THEORY SHOWS THAT CRISES ARE NOT DUE TO A MISUNDERSTANDING BY THE CAPITALISTS ABOUT HOW THEIR SYSTEM WORKS, NEITHER ARE THEY DUE TO CERTAIN

SUPERFICIAL DISHARMONIES WHICH CAN BE REGULATED BY THE TIMELY INTERVENTION OF THE CAPITALIST STATE. THEY ARE ROOTED IN THE VERY STRUCTURE OF THE CAPITALIST SYSTEM ITSELF. (PP. 85 - 92)

### KEYNESIAN THEORY AND MONOPOLY CAPITALISM

THOSE WHOM KEYNESIAN THEORY UNITES ARE MANY - AND NOT ALL SOCIALISTS. THERE ARE LIBERAL KEYNESIANS TODAY, CONSERVATIVE KEYNESIANS, DEMOCRATIC AND REPUBLICAN KEYNESIANS, SOCIALIST-RAIDCAL KEYNESIANS AND SO FORTH. IN ACADEMIC CIRCLES KEYNESIAN ECONOMICS TAKE A LEADING PLACE; OFFICIAL MEMORANDA OF THE CIVIL SERVICE IN FRANCE, BRITAIN OR AMERICA ALL BRISTLE WITH KEYNESIAN JARGON.

ALL THIS IS NOT A MERE ACCIDENT OF FASHION. IT IS A SYMPTOM OF SOMETHING FAR MORE PROFOUND, NAMELY THAT KEYNESIAN THEORY IS IN HARMONY WITH THE DOMINANT INTERESTS OF MONOPOLY CAPITALISM. WHEREVER, THEREFORE, MONOPOLY CAPITALISM IS STRONG, KEYNESIAN THEORY TENDS TO BE IN VOGUE. WHATEVER KEYNESIANS MAY THINK OF THEMSELVES THE FACT OF THE MATTER IS THAT KEYNESIAN THEORY FLOURISHES BECAUSE IT REFLECTS THE CURRENT IDEOLOGY OF THE RULING CLASS.

IN WHAT WAYS DOES KEYNESIAN THEORY HARMONISE PARTICULARLY WITH THE INTERESTS OF MONOPOLY CAPITALISM?

IN THE PERIOD OF MONOPOLY CAPITALISM THE RULING ELEMENT WITHIN THE CAPITALIST CLASS IS A CLIQUE OF BANKER-INDUSTRIALISTS, WHAT LENIN TERMED THE "FINANCE OLIGARCHY". THIS CLIQUE OF MONOPOLY CAPITALISTS BETWEEN THEM CONTROL THE KEY SECTORS OF FINANCE AND INDUSTRY AND ARE ABLE TO CONTROL THE STATE MACHINE.

IN THE PERIOD OF MONOPOLY CAPITALISM, THE CAPITALIST STATE NO LONGER "HOLDS THE RING" FOR THE CAPITALIST CLASS AS A WHOLE, BUT IS SUBORDINATED TO THE MOST POWERFUL SECTIONS OF THE CAPITALIST CLASS, NAMELY, THE MONOPOLY CAPITALISTS, WHO SEEK TO USE THE STATE TO ADVANCE THEIR OWN ECONOMIC INTERESTS.

THIS SECTION OF THE CAPITALISTS NO LONGER OPPOSES STATE-INTERFERENCE IN THE ECONOMIC SPHERE, BUT ON THE CONTRARY, IS CONTINUALLY REQUIRING THE STATE TO TAKE ACTION ON ITS BEHALF, TO SALVAGE ITS PROFITS, TO PROTECT ITS "SPHERES OF INFLUENCE," ETC. ETC. THE STATE HAS, FOR EXAMPLE BEEN REQUIRED ON BEHALF OF THE MONOPOLIES TO ESTABLISH POLITICAL DOMINATION OF COLONIAL AND OTHER SUBJECT NATIONS, TO CONDUCT WAR AGAINST IMPERIALIST RIVALS, TO USE TARIFFS AND FINANCIAL DISCRIMINATION, TO SECURE CLOSED MARKETS, TO SUBSIDISE INDUSTRIES, TO HELP IN BRINGING THEM UNDER MONOPOLY CONTROL.

ALREADY IN 1917, LENIN WROTE IN HIS PREFACE TO THE FIRST EDITION OF STATE AND REVOLUTION:

"THE IMPERIALIST WAR HAS GREATLY ACCELERATED AND INTENSIFIED THE PROCESS OF TRANSFORMATION OF MONOPOLY CAPITALISM INTO STATE-MONOPOLY CAPITALISM. THE MONSTROUS OPPRESSION OF THE MASSES OF THE TOILERS BY THE STATE - WHICH IS BECOMING MERGED MORE AND MORE WITH THE ALL POWERFUL CAPITALIST COMBINES - IS BECOMING EVER MORE MONSTROUS."

IN THE PERIOD OF IMPERIALISM THE OLD LAISSEZ-FAIRE ECONOMICS ARGUED AGAINST TARIFFS, AGAINST STATE CONTROL, AGAINST MANAGED CURRENCIES, AT A TIME WHEN SUBSTANTIAL SECTIONS OF THE MONOPOLY CAPITALISTS WERE ADVOCATING AND PRACTISING SUCH MEASURES. KEYNESIAN THEORY, BY CONTRAST, DEFENDED SUCH MEASURES OF INTERFERENCE. FOR EXAMPLE, KEYNESIAN THEORY HAS THROUGHOUT PAID CLOSE ATTENTION TO THE ROLE OF THE FINANCIAL AND BANKING INSTITUTIONS (IN WHICH THE POWER OF THE GREATEST MONOPOLY CAPITALISTS IS SO LARGELY CONCENTRATED) IN THE CONTROL OF THE ECONOMIC ACTIVITIES OF THE COMMUNITY GENERALLY. IT BOTH LEARNT FROM AND, IN SOME MEASURE, INSTRUCTED THE DEVELOPING POLICIES OF THE MONOPOLY CAPITALISTS WHO AS THE GENERAL CRISIS OF CAPITALISM DEEPENED MORE AND MORE HAD RECOURSE TO FINANCIAL MANIPULATIONS TO ADVANCE THEIR ENDS.

IT WAS ALSO A SPECIAL VIRTUE OF THE KEYNESIAN ECONOMICS THAT IT FOUND ARGUMENTS WHICH COULD BE USED TO SUPPORT THE POLICIES OF THE MONOPOLY CAPITALISTS, AND AT THE SAME TIME DEFENDED PRODUCTION FOR PROFIT AND CAPITALIST PRODUCTION RELATIONS. THE OLD DEFENCE OF EXPLOITATION WHICH HAD RELIED ON "THE NATURAL LAWS OF THE ECONOMIC ORDER" AS REFURBISHED BY KEYNES, MET THE NEEDS OF STATE MONOPOLY CAPITALISM.

### CAN KEYNESIAN THEORY BE PROGRESSIVE?

KEYNESIAN ECONOMICS HAS, OF COURSE, TENDED TO DEVELOP A NUMBER OF FORMS, SOME

OPENLY CAPITALIST, OPENLY IN FAVOUR OF BIG BUSINESS, OTHERS OBTINISIBLY PROGRESSIVE AND "SOCIALIST"; HOWEVER, WITHIN THE FRAMEWORK OF MONOPOLY CAPITALISM THESE DIFFERENT FORMS OF KEYNESIAN THEORY TURN OUT TO BE ONLY DIFFERENT WAYS OF PRESENTING THE POLICY OF MONOPOLY CAPITALISM UNDER DIFFERENT POLITICAL CIRCUMSTANCES.

HOW ABOUT THE KEYNESIANS, IT MAY BE ASKED, WHO ARE SINCERELY ANTI-CAPITALIST? BECAUSE KEYNESIAN THEORY SEEKS TO POINT A WAY TO DOING SOMETHING ABOUT THE HORRORS OF CAPITALISM, IT IS TO BE EXPECTED THAT SOME SINCERE PROGRESSIVE-MINDED PEOPLE WILL TRY TO MAKE KEYNESIAN THEORY A VEHICLE FOR THEIR PROGRESSIVE IDEAS. IN FIGHTING AGAINST CAPITALISM THERE IS EVERY REASON FOR COLLABORATION AND CO-OPERATION BETWEEN MARXISTS AND SUCH PEOPLE, NOT, HOWEVER, BECAUSE THEY ARE KEYNESIANS, BUT BECAUSE THEY ARE PROGRESSIVE AND PREPARED TO FIGHT AGAINST CAPITALISM. IT WOULD, AT THE SAME TIME, BE FATALLY WRONG AND DAMAGING TO THE INTERESTS OF THE WORKING CLASS IF MARXISTS ALLOWED THEMSELVES TO BE DETERRED BY REGARD FOR SUCH PEOPLE FROM PAINTING THE KEYNESIAN THEORY IN ITS TRUE COLORS..

THE DANGERS OF KEYNESIAN THEORY ARE TWO-FOLD; FIRST, IT CAN BE USED TO DISGUISE AS AN ADVANCE TO SOCIALISM WHAT IS IN FACT NOTHING OF THE SORT; IN THIS WAY IT 'JUSTIFIES' THE NARROW CLASS INTERESTS OF THE FINANCE OLIGARCHY AND PRESENTS THEM AS IF THEY SERVED THE PUBLIC INTEREST. SECONDLY, IT PROVIDES THE THEORETICAL APPARATUS IN WHICH THE POLICIES OF IMPERIALISM ARE FASHIONED.

THE SEEMINGLY PROGRESSIVE ASPECTS OF THE KEYNESIAN DOCTRINE(SOCIAL SERVICE EXPENDITURE, PUBLIC WORKS SCHEMES, PROGRESSIVE TAXATION) ARE ALTOGETHER OUTWEIGHED BY THE ANTI-WORKING CLASS CHARACTER OF THE UNDERLYING THEORY. THIS IS BEST SEEN WHEN THE THEORY IS CONSIDERED NOT ABSTRACTLY BUT IN THE SETTING OF THE WORLD TO-DAY. IN THIS REAL CAPITALIST WORLD PUBLIC WORKS TURN INTO MUNITIONS, PROGRESSIVE TAXATION INTO MASS TAXATION, AND FEW PROGRESSIVE MEASURES REMAIN.(PP. 72-75)

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FOOTNOTES:

- \* \* To Marxists the "CLASSICAL" Bourgeois economists are William Petty, Adam Smith and Ricardo. The school of Mill and his disciple Marshall, which Keynes calls the CLASSICAL ECONOMISTS, Marxists would class as "THE VULGAR ECONOMISTS", since to quote Marx's definition, their work "DEALS WITH APPEARANCES ONLY...AND THERE SEEKS PLAUSIBLE EXPLANATIONS OF THE MOST OBTRUSIVE PHENOMENA FOR BOURGEOIS DAILY USE." In general the technical terms used by Marxist economists differ materially from those used by capitalist economists.
- \* \*\* Keynes uses this phrase to express the extent to which people spend their incomes. This, he says, depends on the amount of individual incomes and their distribution; people with lower incomes tend to save less than people with higher incomes; if their incomes increase they will save a bigger part of them -their "PROPENSITY TO CONSUME," Keynes would say, falls.
- \* \*\*\*What Keynes means by marginal efficiency of capital is further dealt with below; broadly speaking, it means expected rate of profit from additional investment.
- \* \*\*\*\*By "LIQUIDITY PREFERENCE" Keynes means the desire to hold wealth in money form rather than to have it tied up in investments.

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THE POLITICAL SIGNIFICANCE OF KEYNESIANISM - CONTINUED FROM PAGE 2!

IN THE STORMY AND DIFFICULT PERIOD NOW OPENING UP BEFORE US, THE WORKERS AND OTHER DEMOCRATIC FORCES, CONFRONTED BY INCREASING DANGERS OF ECONOMIC CHAOS, FASCISM, AND WAR, WILL MOVE TOWARD THE BUILDING OF A GREAT NATIONAL DEMOCRATIC COALITION, TOWARD THE FORMATION OF A POWERFUL, ANTI-FASCIST, ANTI-MONOPOLY, PRO-PEACE PARTY. WITHIN THIS VAST NEW PEOPLE'S MOVEMENT, UNDOUBTEDLY LARGE NUMBERS OF LIBERAL, KEYNESIAN-MINDED WORKERS AND LEADERS WILL PLAY A BIG ROLE. HENCE, A BASIC CONDITION FOR FRIENDLY & EFFECTIVE COMMUNIST COOPERATION WITH THESE ELEMENTS IN A UNITED FRONT WILL BE PRECISELY THE POSSESSION BY OUR PARTY OF A CORRECT MARXIAN ANALYSIS OF THE PROGRAM AND THEORIES OF KEYNESIANISM AND OF OUR INDEPENDENT POLITICAL LINE TOWARD THAT SYSTEM OF BOURGEOIS REFORMISM.

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SIDE OF THE LEDGER WHERE IT WILL APPEAR AS PROFITS ON DIRECT INVESTMENT— FOR ESSENTIALLY THE SAME GROUPING. IT IS TRUE, OF COURSE, THAT THE DEVELOPMENT OF MONOPOLY CAPITALISM ( WHICH KEYNES FAILS TO ANALYZE) HAS BROUGHT INTO EXISTENCE A PARASITIC "COUPON-CLIPPING" STRATUM WHICH DELEGATES TO SALARIED MANAGERS MANY OF THE FUNCTIONS PREVIOUSLY PERFORMED BY THE CAPITALIST ENTREPRENEUR. BUT THE BASIC CONTROL OF BOTH SAVING AND INVESTMENT LIES IN THE HANDS OF FINANCE CAPITAL, WHICH RECEIVES INTO ITS POCKETS BOTH INTEREST AND "PROFIT."

#### THE PROBLEM OF CYCLICAL CRISES

2. THE FAILURE OF KEYNES TO ESTABLISH AN OBJECTIVE THEORY OF VALUE AS THE BASIS FOR ANALYZING CAPITALIST PRODUCTION ( WHICH OF COURSE HE IS UNABLE TO DO, SINCE HE AIMS AT THE PRESERVATION OF THAT SYSTEM AND CANNOT AFFORD A SEARCHING ANALYSIS OF ITS FUNDAMENTAL NATURE) CONTRIBUTE TO THE CONTRADICTIONS IN WHICH KEYNESIAN THEORY BECOMES ENMESHED WHEN IT ATTEMPTS TO "SOLVE" THE PROBLEM OF CYCLICAL CRISES.

WE HAVE SEEN THAT FOR KEYNES THE "CAUSE" OF THE CRISIS IS THE "COLLAPSE" OF THE "MARGINAL EFFICIENCY OF CAPITAL." ACCORDING TO KEYNES, THIS IS IN TURN DETERMINED BY "THE UNCONTROLLABLE AND DISOBEDIENT PSYCHOLOGY OF THE BUSINESS WORLD!" NO DOUBT THE CAPITALISTS DO UNDERGO CERTAIN "PSYCHOLOGICAL" EXPERIENCES AT THIS POINT; INDEED, SOME HAVE BEEN KNOWN TO COMMIT SUICIDE. WE ARE CONCERNED, HOWEVER, ABOUT THE SITUATION OF THE MASS OF THE PEOPLE, AND WE SHALL LEARN LITTLE OF THE CAUSES OF THIS FROM KEYNESIAN "PSYCHOLOGY." THE KEY TO THE PROBLEM WAS SUPPLIED BY MARX, AND IT EVEN CREEPS INTO KEYNES IN ONE UNEXPLAINED LITTLE WORD. HE REFERS TO THE FALL OF "DISILLUSION" UPON "AN OVER-OPTIMISTIC AND OVERBOUGHT MARKET." NOW WHAT IS MEANT BY AN "OVER-BOUGHT" INVESTMENT MARKET (FOR THAT IS WHAT KEYNES REFERS TO)? KEYNES DOES NOT SUPPLY THE EXPLANATION, SINCE HE IS OFF INTO THE WORLD OF PESSIMISM AT THIS POINT. BUT MARX DOES GIVE IT. WHAT HAS IN FACT OCCURRED IS THE "RELATIVE OVERPRODUCTION OF CAPITAL." IN OTHER WORDS, INVESTMENT, ESPECIALLY IN CAPITAL GOODS, HAS BEEN OVEREXTENDED RELATIVE TO THE ACTUAL MARKET WHICH IS LIMITED BY THE BASIC RELATIONS OF CAPITALIST PRODUCTION. THE POINT HAS BEEN REACHED AT WHICH THE CAPITALIST CANNOT REALIZE THE SURPLUS VALUE WHICH THE WORKERS HAVE PRODUCED. THIS LIMITATION OF THE MARKET IS THE INEVITABLE RESULT OF A SYSTEM WHICH IS FOUNDED ON SOCIAL RELATIONS OF PRODUCTION WHICH CONSTANTLY TEND TO REDUCE THE CONSUMING POWER OF THE MASSES. ON THE OTHER HAND, THE PRODUCTIVE FORCES TEND TO EXPAND, NOT IN RELATION TO THE ULTIMATE MARKET FOR COMMODITIES, BUT RATHER ABSOLUTELY, BASED ON THE CONSTANT, RESTLESS SEARCH OF CAPITAL FOR FRESH PROFIT.

IF THIS IS THE FUNDAMENTAL CAUSE OF CRISES, HOW WILL KEYNES' "REMEDY" WORK OUT? HE PROPOSES TO INCREASE THE EXPANSION OF PRIVATE CAPITAL INVESTMENT DURING THE "BOOM" PERIOD, THROUGH LOWERING THE INTEREST RATE AND OTHER MEASURES. BUT THIS WILL LEAD ULTIMATELY TO A STILL GREATER OVERPRODUCTION OF CAPITAL, RELATIVE TO THE MARKET, AND TO AN EVEN MORE VIOLENT CRISIS. THIS IS NOT TO SAY THAT REDUCING CAPITAL INVESTMENT DURING "PROSPERITY" WOULD HELP; HERE KEYNES IS RIGHT WHEN HE SAYS THIS WOULD MERELY RESULT IN A "PERMANENT" DEPRESSION. IN FACT, THE GENERAL CRISIS OF CAPITALISM IS CHARACTERIZED BY JUST SUCH A TENDENCY TOWARD CHRONIC DEPRESSION, WITH EVEN THE "PROSPERITY" PERIODS SINCE THE FIRST WORLD WAR (WITH THE EXCEPTION OF THE RECENT WAR PERIOD) HAVING BEEN MARKED BY THE ACCUMULATION OF SURPLUS CAPITAL WHICH COULD NOT BE "PROFITABLY" INVESTED AND BY CORRELATIVE CONTINUED UNEMPLOYMENT.

ON THE OTHER HAND, THE KEYNESIAN "CURE" OF FURTHER STIMULATING PRIVATE INVESTMENT WILL NOT MAKE THE PATIENT WELL; INDEED, IT WOULD TEND TO AGGRAVATE THE NEXT SEIZURE. EVEN EXPANDED, DIRECT GOVERNMENT INVESTMENT HAS THE SAME NET RESULT, INSO FAR AS IT ENLARGES THE PRODUCTIVE FORCES OF THE ECONOMY, THROUGH SUCH MEASURES AS CONSTRUCTION OF PUBLIC POWER SYSTEMS, ETC. EVENTUALLY, THIS TOO CONTRIBUTES TO THE GAP BETWEEN PRODUCTION AND LAGGING CONSUMPTION. OF COURSE, IT IS TRUE THAT PUBLIC WORKS PROGRAMS AND MANY TYPES OF GOVERNMENT INVESTMENT BENEFIT THE WORKERS BY CREATING ADDITIONAL EMPLOYMENT, ETC; BUT THEY CANNOT BE CONSIDERED A METHOD OF ELIMINATING CRISES.

CONFRONTED WITH THIS QUESTION KEYNES SHIFTS HIS APPROACH: "IF WE WERE TO SUPPOSE THAT CONTEMPORARY BOOMS ARE APT TO BE ASSOCIATED WITH A MOMENTARY CONDITION OF FULL INVESTMENT OR OVER-INVESTMENT...THE CASE OF THOSE WHO ATTRIBUTE THE DISEASE TO UNDERCONSUMPTION WOULD BE WHOLLY ESTABLISHED. THE REMEDY WOULD LIE IN VARIOUS MEASURES DESIGNED TO INCREASE THE PROPENSITY TO CONSUME BY THE REDISTRIBUTION OF INCOMES OR OTHERWISE; SO THAT A GIVEN LEVEL OF EMPLOYMENT WOULD REQUIRE A SMALL VOLUME OF CURRENT INVESTMENT TO SUPPORT IT." (8)

HERE WE HAVE THAT ASPECT OF KEYNES WHICH IS MOST HEAVILY EMPHASIZED BY LIBERAL REFORMISTS AND SOCIAL-DEMOCRATS (ALTHOUGH NOT BY KEYNES HIMSELF). IF THE PROBLEM IS REALLY ONE OF OVERPRODUCTION, THEN, ACCORDING TO THE KEYNESIANS, IT MUST IN FACT BE ONE OF UNDER-CONSUMPTION. AND THE SOLUTION MUST THEREFORE BE TO INCREASE THE PURCHASING POWER OF THE WORKERS SO THAT THE MARKET CAN ABSORB WHAT IS PRODUCED. TOGETHER WITH THIS, THE INTERESTS OF CAPITAL AND LABOR WILL BE "HARMONIZED" AND ALL WILL BE WELL. BUT THIS IS THE SAME "UNDERCONSUMPTIONIST" ARGUMENT WHICH MARX AND ENGELES DEMOLISHED NEARLY A HUNDRED YEARS AGO! MARX POINTED OUT THEN THAT "RELATIVE OVERPRODUCTION" IS NOT AT ALL THE SAME THING AS "UNDERCONSUMPTION." IF IT WERE, HOW ARE WE TO EXPLAIN THE FACT THAT CYCLICAL CRISES OCCUR ONLY UNDER THE CAPITALIST MODE OF PRODUCTION, ALTHOUGH UNDERCONSUMPTION HAS EXISTED IN EVERY PRIOR SOCIETY?

FURTHERMORE, "IT IS PURELY A TAUTOLOGY TO SAY THAT CRISES ARE CAUSED BY THE SCARCITY OF SOLVENT CONSUMERS OR OF A PAYING CONSUMPTION. THE CAPITALIST SYSTEM DOES NOT KNOW ANY OTHER MODES OF CONSUMPTION BUT A PAYING ONE...IF ANY COMMODITIES ARE UNSALEABLE, IT MEANS NO SOLVENT PURCHASERS HAVE BEEN FOUND FOR THEM, IN OTHER WORDS, CONSUMERS...BUT IF ONE WERE TO ATTEMPT TO CLOTHE THIS TAUTOLOGY WITH A SEMBLANCE OF A PROFOUND JUSTIFICATION BY SAYING THAT THE WORKING CLASS RECEIVE TOO SMALL A PORTION OF THEIR OWN PRODUCT, AND THE EVIL WOULD BE REMEDIED BY GIVING THEM A LARGER SHARE OF IT, OR RAISING THEIR WAGES, WE SHOULD REPLY THAT CRISES ARE PRECISELY ALWAYS PRECEDED BY A PERIOD IN WHICH WAGES RISE GENERALLY AND THE WORKING CLASS ACTUALLY GET A LARGER SHARE OF THE ANNUAL PRODUCT INTENDED FOR CONSUMPTION." (9)

THE "UNDERCONSUMPTIONISTS" TAKE AS THEIR STARTING POINT FOR EXPLANATION - AND REMEDY - OF CRISES, NOT THE CAPITALIST RELATIONS OF PRODUCTION, BUT ONLY THE DIVISION OF INCOME. BUT THE LAG OF CONSUMPTION RELATIVE TO PRODUCTION IS NOT ESSENTIALLY A MATTER OF "DISTRIBUTION" OF INCOME; IT ARISES FROM THE VERY NATURE OF THE CAPITALIST MODE OF PRODUCTION, WHICH OPERATES ONLY ON THE BASIS OF THE DRIVE FOR PROFITS. ON THE ONE HAND, IN ITS SEARCH FOR PROFITS "...THE CAPITALIST MODE OF PRODUCTION HAS A TENDENCY TO DEVELOP THE PRODUCTIVE FORCES ABSOLUTELY...REGARDLESS OF THE SOCIAL CONDITIONS UNDER WHICH CAPITALIST PRODUCTION TAKES PLACE..." (10) ON THE OTHER HAND, ANY INCREASE IN THE WAGES OF THE WORKING CLASS IS CONFINED WITHIN CERTAIN CIRCUMSCRIBED LIMITS WHICH ARE SET BY THE REQUIREMENTS OF CAPITALIST PRODUCTION ITSELF. IT IS THIS CONFLICT WHICH MAKES CRISES OF "RELATIVE OVERPRODUCTION" INEVITABLE.

WITH REFERENCE TO THE LIMITS UPON THE INCREASE IN WAGES, MARX SAYS THAT THIS IS REACHED WHEN THE DECLINE IN PROFITS WHICH RESULTS FROM A RISE IN WAGES "TOUCHES THE POINT AT WHICH THE SURPLUS-LABOUR THAT NOURISHES CAPITAL IS NO LONGER SUPPLIED IN NORMAL QUANTITY..." THEN "A REACTION SETS IN: A SMALLER PART OF REVENUE IS CAPITALIZED, ACCUMULATION LAGS, AND THE MOVEMENT OF RISE IN WAGES RECEIVES A CHECK. THE RISE OF WAGES THEREFORE IS CONFINED WITHIN LIMITS THAT NOT ONLY LEAVE INTACT THE FOUNDATIONS OF THE CAPITALISTIC SYSTEM, BUT ALSO SECURE ITS REPRODUCTION ON A PROGRESSIVE SCALE. THE LAW OF CAPITALISTIC ACCUMULATION, METAMORPHOSED BY ECONOMISTS INTO A PRETENDED LAW OF NATURE, IN REALITY MERELY STATES THAT THE VERY NATURE OF ACCUMULATION EXCLUDES EVERY DIMINUTION IN THE DEGREE OF EXPLOITATION OF LABOR AND EVERY RISE IN THE PRICE OF LABOR WHICH COULD SERIOUSLY IMPERIL THE CONTINUAL REPRODUCTION, ON AN EVER ENLARGING SCALE, OF THE CAPITALISTIC RELATION." (11)

KEYNES, FROM THE CAPITALISTS' STANDPOINT, RECOGNIZES THIS PROBLEM WHEN HE CALLS FOR OVERCOMING THE CRISIS THROUGH DECREASING THE REAL WAGES OF THE WORKERS, IN ORDER TO INCREASE THE "MARGINAL EFFICIENCY OF CAPITAL." IT DOES NOT FOLLOW FROM THIS, HOWEVER, THAT THE WORKERS SHOULD BE GUIDED BY LORD KEYNES' ADVICE! NOR IS THERE ANY DANGER THAT THEY WILL. FOR MARX'S EXPLANATION OF THE LAW OF ACCUMULATION OF CAPITAL

DOES NOT MEAN THAT THE WORKERS CANNOT SECURE ANY INCREASES IN WAGES UNDER CAPITALISM OR SUCCESSFULLY RESIST PAY CUTS; WHAT IT DOES MEAN IS THAT THESE ARE CONFINED WITHIN CERTAIN LIMITS, WHICH WILL PERMIT THE CONTINUED EXISTENCE AND EXPANSION OF CAPITAL. THUS THE FIGHT FOR ALL MEASURES AIMED AT INCREASING MASS PURCHASING POWER, FOR SOCIAL SECURITY, PUBLIC WORKS, TAXATION OF THE RICH, ETC., ARE A VITAL PART OF THE STRUGGLE TO DEFEND THE MASS OF THE PEOPLE FROM THE WORST BLOWS OF THE CAPITALIST CRISIS. BUT THIS MUST NOT BE ACCOMPANIED BY ANY ILLUSION THAT THE BASIC CONFLICT BETWEEN THE TENDENCY OF CAPITALIST PRODUCTION TO EXPAND ABSOLUTELY AND THE RELATIVELY NARROW LIMITS SET-ON THE CONSUMING POWER OF THE MASSES CAN BE OVERCOME WITHIN THE FRAMEWORK OF CAPITALISM.

THE SAME BASIC DIFFICULTY PRESENTS ITSELF WITH REFERENCE TO THE PROPOSED "SOCIAL DIRECTION" OF INVESTMENT WHICH IS KEYNES' ANSWER TO THE ANARCHY OF CAPITALIST PRODUCTION AS A WHOLE. KEYNES RECOGNIZES THAT IN A PLANLESS ECONOMY "THE ILLUSIONS OF THE BOOM CAUSE PARTICULAR TYPES OF CAPITAL-ASSETS TO BE PRODUCED IN EXCESSIVE ABUNDANCE...IT LEADS, THAT IS TO SAY, TO MISDIRECTED INVESTMENT." MARX ANALYZED THIS ASPECT OF ECONOMIC CRISES FAR MORE THOROUGHLY, POINTING OUT THAT IT ARISES FROM DISPROPORTIONS IN THE ECONOMY, ESPECIALLY BY A LACK OF BALANCE BETWEEN THE PRODUCTION OF CAPITAL GOODS AND THAT OF CONSUMER GOODS. IN WARTIME, OF COURSE, INVESTMENT IN THE MAIN IS DIRECTED BY THE GOVERNMENT, AND THE MARKET ITSELF IS GUARANTEED IN THE SAME SAY. BUT UNDER PEACETIME CONDITIONS, INTO WHAT CHANNELS CAN INVESTMENT BE "DIRECTED" WHERE IT WILL NOT ULTIMATELY OUTSTRIP THE CAPACITY OF THE MARKET, OR RESULT FINALLY IN "DISPROPORTIONS?"

WHILE, IN A BOURGEOIS-DEMOCRATIC COUNTRY, SOME CONTROLS OVER THE UNLIMITED EXERCISE OF POWER BY MONOPOLY CAPITAL MAY BE ESTABLISHED THROUGH THE STRENGTH OF LABOR AND THE PEOPLE'S MOVEMENT, INCLUDING NATIONALIZATION OF CERTAIN INDUSTRIES, THIS CANNOT ELIMINATE THE BASIC PLANLESSNESS OF CAPITALIST PRODUCTION AS A WHOLE, WHICH EXISTS, NOT ONLY IN THE ECONOMY OF AN INDIVIDUAL NATION, BUT THROUGHOUT THE ENTIRE WORLD SYSTEM OF IMPERIALISM. SUCH OVER-ALL CONTROL CAN BE ACHIEVED ONLY THROUGH COMPLETE SOCIALIZATION OF THE MEANS OF PRODUCTION UNDER THE DIRECTION OF THE WORKING CLASS, I.E., THROUGH THE ESTABLISHMENT OF SOCIALISM.

IT SHOULD BE NOTED, HOWEVER, THAT KEYNES DOES NOT ENVISAGE EVEN SUCH LIMITED CURBING OF FINANCE CAPITAL BY THE LABOR AND PEOPLE'S FORCES. WHAT HE HAS IN MIND, AND WHAT THE "LABOR" GOVERNMENT IN BRITAIN IS NOW ESTABLISHING, IS A NATIONAL INVESTMENT BOARD ON WHICH NOT LABOR AND THE PEOPLE, BUT THE REPRESENTATIVES OF FINANCE CAPITAL THEMSELVES WOULD EXERCISE THE "CONTROL" OVER THEIR OWN INVESTMENT. IF THIS IS THE REAL OBJECTIVE, THEN IT MUST BE SAID THAT THE MOST COMPLETE EFFORTS IN THIS DIRECTION SO FAR WERE MADE IN FASCIST GERMANY AND JAPAN. BUT DID THIS ELIMINATE, IN THOSE COUNTRIES, THE BASIC ANARCHY OF PRODUCTION WHICH CHARACTERIZES CAPITALISM? AS THE WHOLE WORLD NOW KNOWS, IT ONLY DEEPENED AND INTENSIFIED THE COMPETITION AND CONFLICT WHICH ACCOMPANY AND ARE AN INTEGRAL PART OF THE DEVELOPMENT OF MONOPOLY OR FINANCE CAPITAL. THE SHARPEST AND MOST PROFOUND EXPRESSION OF THIS FACT WAS WORLD WAR II, WHICH FASCISM PRECIPITATED AS THE ONLY "ANSWER" TO THE INTERNAL AND EXTERNAL ECONOMIC (AND POLITICAL) CONTRADICTIONS IN WHICH IT WAS ENMESHED.

THUS, THAT WHICH UNDER CAPITALISM INEVITABLY GIVES RISE TO CRISES, I.E., THE ANARCHY OF PRODUCTION, RESULTING IN OVERPRODUCTION RELATIVE TO CONSUMING POWER (WHICH THE KEYNESIAN SCHOOL DIMLY GLIMPSES), IS IN FACT THE INEVITABLE EXPRESSION OF THE CONFLICT OF PRODUCTIVE FORCES AND PRODUCTION RELATIONS. AND THE ANARCHY OF PRODUCTION CANNOT BE REMOVED WITHOUT REMOVING CAPITALISM ITSELF.

#### CHRONIC UNEMPLOYMENT

3. WITH REFERENCE TO THE INADEQUACY OF KEYNES' LONG-RUN ANALYSIS IN WHICH THE GROWTH OF CHRONIC UNEMPLOYMENT IS DEALT WITH, A FEW MAIN POINTS SHOULD BE NOTED. KEYNES FALLS BACK UPON THE CONCEPT OF "HOARDING" (I.E., "OVER-SAVING," IN HIS TERMINOLOGY) AS RESPONSIBLE FOR CHRONIC "UNDEREMPLOYMENT"—THAT IS A GROWING QUANTITY OF SAVINGS ARE

USED NEITHER FOR CONSUMPTION NOR FOR INVESTMENT. WE ARE INFORMED THAT THIS IS DUE TO GROWING INEQUALITIES OF INCOME AS WELL AS THE DECLINING "MARGINAL EFFICIENCY OF CAPITAL." BUT AT NO POINT DOES HE GIVE A SATISFACTORY OBJECTIVE ANALYSIS OF THE REASONS FOR THOSE TWO TRENDS. KEYNES NOWHERE REALLY DISCUSSES THE GROWTH OF MONOPOLY, WHICH INCREASES THE INEQUALITIES OF INCOME AND NARROWS THE MARKET STILL FURTHER THROUGH ITS POLICY OF ARTIFICIALLY HIGH PRICES AND RESULTING REDUCTION IN THE CONSUMING POWER OF THE WORKERS, AS WELL AS LARGE SECTIONS OF THE FARMERS AND MIDDLE CLASSES. NOR DOES HE DEAL FUNDAMENTALLY WITH THE DIVIDING UP OF THE WORLD MARKET WHICH LIMITS STILL FURTHER THE EXTENSIVE RANGE OF "PROFITABLE" CAPITAL INVESTMENT. THE ENTIRE QUESTION OF MONOPOLY AND IMPERIALISM IS NEVER EFFECTIVELY TACKLED BY KEYNES OR BY HIS FOLLOWERS. THE KEYNESIAN ACCEPTANCE AND DEFENSE OF THE CAPITALIST SYSTEM MAKE IMPOSSIBLE, OF COURSE, A COMPLETE AND CORRECT ANALYSIS OF THE "PROBLEMS" IT PRESENTS, INCLUDING THE GROWTH OF MONOPOLY SIDE BY SIDE WITH DEEPENED AND SHARPENED COMPETITION; AT MOST THERE ARE LIMITED AND DISTORTED "FLASHES" OF INSIGHT. CONSEQUENTLY, THE "REMEDIES" WILL NOT CURE THE PATIENT, FOR THE DIAGNOSIS IS INCOMPLETE.

THE OBSTACLES TO REALIZATION OF THE LONG-RANGE KEYNESIAN REFORM PROGRAM, WHOSE OBJECTIVE IS THE SAVING OF CAPITALISM FROM ITS OWN CONTRADICTIONS, ARE BASICALLY THE SAME AS THOSE WHICH WILL RENDER INEFFECTIVE THE KEYNESIAN PROPOSALS FOR ELIMINATING CYCLICAL CRISES. THE GENERAL CRISIS OF CAPITALISM CANNOT BE OVERCOME WITHOUT THE ELIMINATION OF THE CAPITALIST SYSTEM ITSELF.

THIS DOES NOT MEAN, OF COURSE, THAT LABOR AND ITS ALLIES CAN ACHIEVE NO GAINS OR IMPROVEMENT IN THEIR POSITION THROUGH STRUGGLE FOR A PROGRAM OF IMMEDIATE DEMANDS, INCLUDING MANY BASED ON SPECIFIC PROPOSALS ADVOCATED BY FOLLOWERS OF KEYNESIAN THEORY. BUT THESE GAINS CAN BE MADE ONLY THROUGH STRUGGLE AGAINST MONOPOLY CAPITAL AND NOT THROUGH THE "HARMONIZING" OF CLASS INTERESTS WHICH KEYNESIAN THOUGHT PRESUPPOSES. THIS STRUGGLE WILL NOT BE ADVANCED, INDEED IT WILL BE IMPEDED, BY ILLUSIONS ABOUT THE POSSIBILITY OF PREVENTING CRISES AND OVERCOMING THE TENDENCY TO CHRONIC UNEMPLOYMENT WITHIN THE FRAMEWORK OF CAPITALISM. WE HAVE OURSELVES JUST EXPERIENCED THE DISASTROUS EFFECTS OF SUCH ILLUSIONS IN TERMS OF THE RESULTS OF BROWDER REVISIONISM. IT IS THEREFORE OF THE GREATEST IMPORTANCE THAT COMMUNISTS WITHIN THE LABOR MOVEMENT CONDUCT A VIGOROUS STRUGGLE FOR MARXIST THEORY, AND AGAINST THE ILLUSIONS FOSTERED BY KEYNESIAN THOUGHT, AT THE SAME TIME THAT WE UNITE IN A PRACTICAL WAY WITH ALL THOSE WITH WHOM WE SHARE A COMMON PROGRAM OF IMMEDIATE DEMANDS.

FINALLY, IT MUST BE REPEATED, THIS ARTICLE IS INTENDED MERELY TO CONTRIBUTE IN A LIMITED WAY TO A DISCUSSION IN WHICH, THE AUTHOR HOPES, OTHERS WILL PARTICIPATE, FOR THE FURTHERANCE OF MARXIST CLARITY ON THIS TOPIC. FURTHER ANALYSIS IS NEEDED OF KEYNES' THEORIES, AS WELL AS A CRITICAL EXAMINATION OF AMERICAN FOLLOWERS OF KEYNES, SUCH AS WALLACE, HANSON, STUART CHASE AND OTHERS, AND PARTICULARLY OF THE BROWDERITE VERSION OF KEYNESISM.

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